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FINE PAPERS

∞

Investigation into Alleged Combines in the Manufacture,
Distribution and Sale of Fine Papers

∞

REPORT OF COMMISSIONER, COMBINES INVESTIGATION ACT
DEPARTMENT OF JUSTICE
OTTAWA

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COMBINES INVESTIGATION COMMISSION

DEPARTMENT OF JUSTICE

OTTAWA

October 23, 1952

Honourable Stuart S. Garson, Q. C.,
Minister of Justice,
Ottawa

Sir:

I have the honour to submit to you the following report of an investigation, under the Combines Investigation Act, into an alleged combine or combines in the manufacture, distribution and sale of fine papers. The inquiry was initiated by my predecessor in office, Mr. F. A. McGregor, in the fall of 1948, under Section 12 of the Combines Investigation Act.

The investigation has been directed primarily to the activities of seven Canadian mills and about two score wholesale fine paper merchants and their respective trade organizations. The period covered is mainly from 1934 to 1950.

In the course of the investigation, many thousand documents relating to the matters under investigation were obtained from the parties concerned. These were obtained in 1948, 1949 and 1950.

After my appointment as Commissioner of the Combines Investigation Act on February 23, 1950, private hearings relating to the matters under investigation were held in the cities of Montreal, Toronto, Ottawa, Winnipeg and Vancouver before myself or the Deputy Commissioner of the Combines Investigation Act. Witnesses gave evidence during 25 days of hearings during the period from September 1950 to February 1951. Nearly all the witnesses were represented by counsel who, at the same time, represented the companies or firms by whom the witnesses were employed. In addition, by arrangement among the mill parties and the merchant parties, two counsel representing one or more of the mills and one or more of the merchants respectively appeared continuously throughout most of the hearings.

Mr. John M. Godfrey, Barrister, of Toronto, was appointed by you under Section 26 of the Act to assist in the investigation, and he attended throughout the hearings and examined the witnesses.

In the spring of 1951, Mr. Godfrey prepared, at my request, a statement summarizing the effect of the evidence as it then appeared to him. This "Statement of Commission Counsel" was sent by me to the parties concerned

(ii)

on May 7, 1951 as notice of the charges alleged in order that the parties might have full opportunity to be heard, as provided in the Inquiries Act, before conclusions were reached or a report made.

Most of the parties concerned in the "Statement of Commission Counsel" appeared before me in June 1951, in person or by counsel, and during the course of four days made substantial representations relating to the matters set out in the "Statement of Commission Counsel" and the fine paper industry and trade generally. These representations were made in some cases orally and in other cases both orally and in briefs.

It seems appropriate that I should refer to the excellence of the services rendered by Mr. Godfrey, as well as to the competent and prominent parts taken in the inquiry by Mr. A. S. Whiteley, the Deputy Commissioner, Mr. A. G. Powell, one of the senior officers of the Commission, and Mr. R. I. Milner.

Yours faithfully,

T. D. MacDonald

Commissioner
Combines Investigation Act

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I. Fine Papers

(a) Classes of Fine Paper

The "fine papers" concerned in this investigation comprise chiefly book papers for use in the printing of books and magazines; writing papers for office and home use with pencil, pen and ink or machine; and miscellaneous papers such as blotting, tag and index.

The tonnage of book paper is now larger than that of any other single class of fine papers. Grades of this paper, besides being used in the printing of books and periodicals, are used for such other purposes as advertising and labelling. Book papers do not fill these uses exclusively however, for other classes of fine papers are sometimes also used. Book paper may be coated or uncoated. The former has a smooth finish suitable for illustrations and is finding increasing use in magazines and printed advertising material. Coated book paper is generally coated in converting plants which secure base stock from paper mills, but it may also be made by a process which coats it right on the paper making machine. Paper finished by the latter method is referred to as "machine coated".

Writing paper (including bond and ledger) may be divided into two main classes - rag content paper and sulphite paper. The use of linen or cotton rags for paper-making long antedated the use of wood, and the higher qualities of writing paper continue to be made with rags. The classification of bond papers is based in part upon the rag content. Grades 1 to 4 are rag content paper, ranging from 100 per cent in the case of No. 1 bond to 25 per cent rag in the case of No. 4 bond. Grades 5 to 7 are sulphite bonds made entirely from wood pulp. In addition to such uses as letterheads, envelopes, stationery, typewriting and mimeographing papers, ledgers and forms, writing papers are used in sales books, adding machines and cash registers and in many other ways, as well as being in some demand for printing.

Included among miscellaneous fine papers are, besides the blotting, tag and index already mentioned, cover paper for printing, filter paper and many other types. The stock used for such purposes as index cards and postcards is usually referred to as "bristol". The miscellaneous group is on the fringe of the "fine papers" and tends to merge with the "coarse papers".

Indeed, while there is general recognition in the industry and trade of the classes that make up the fine papers, no precise limits are applied to these classes and considerable overlapping occurs among such classes and also between fine papers as a whole and other categories.

The names and classifications of fine papers used throughout the report are, of course, those used in the industry and the trade. Also, particularly in the statistical parts, the system of classification of the Canadian Pulp and Paper Association (C.P.P.A.) is used and is as follows:

1. Book Papers
2. Fine Papers
3. Coated Papers
4. Miscellaneous Fine Papers
5. Groundwood, Printing and Specialty Papers
(containing more than 50% Groundwood Pulp)

It will be noted that the expression "Fine Papers" is also used in this classification as a sub-group; as such it refers, generally speaking, to the writing papers which were the original "fine papers". As used throughout this report however, the expression "fine papers", unless the context otherwise indicates, will cover all five sub-groups. These sub-groups are not, in point of name, mutually exclusive. Machine coated paper, for example, does not fall in the third group, but in the first or fifth, depending upon whether the base stock from which it is made contains less or more than 50 per cent groundwood pulp. Newsprint, it may be mentioned, is neither a "fine" nor a "coarse" paper, but is in a class by itself. It is not involved in this investigation. A complete list of the papers coming within each of the five classes above mentioned, as set out by the C.P.P.A., is contained in Appendix I to this report.

(b) Production, Imports and Exports

The bulk of the Canadian production of fine papers is made by a small group of mills known as the fine paper mills. No one mill makes all the products which are classed as fine papers but some make a much wider range than others. Some mills in the fine paper group are also engaged in the production on a substantial scale of other classes of paper and, in some instances, the production of fine papers may constitute the smaller part of the total production. On the other hand, as was pointed out in a brief submitted on behalf of the fine paper mills, "some very small quantities of papers that fall within the general classification of fine papers may be produced intermittently at a number of specialty or newsprint mills".

Newsprint paper has formed a large part of the total quantity of paper produced in Canada - more than 80 per cent in many years - and the production of fine papers has formed a relatively small part of the total tonnage produced - less than 3 or 4 per cent during the period for which statistics have been collected. However, since fine papers have a high average unit value, they have usually made up from 7 to 9 per cent of the total value of all paper produced in Canada. In contrast to newsprint paper, of which less than 10 per cent is consumed in Canada, the production of fine papers has been primarily for the Canadian market so that fine papers have formed a much larger part of the total quantity of the paper used, than of the total quantity produced, in Canada, making up about 12 per cent of the total quantity and 20 per cent of the total value of paper used in Canada in recent years.

The following table from the report of the Dominion Bureau of Statistics on the Pulp and Paper Industry gives the quantity and value of production for the period 1917 to 1950 of what are described as book and writing papers, but actually embrace the general classes of fine papers with which this report is concerned:

Table I⁽¹⁾

Production of Book and Writing Paper in Canada
1917 - 1950

<u>Year</u>	<u>Quantity</u> tons	<u>Value</u> \$
1917	48,279	9,332,998
1918	48,150	10,732,807
1919	58,228	12,571,000
1920	73,196	21,868,807
1921	53,530	12,550,520
1922	64,808	12,560,504
1923	76,789	13,582,135
1924	67,934	12,605,623
1925	74,724	13,145,407
1926	80,403	14,765,725
1927	75,072	12,916,469
1928	79,138	14,008,406
1929	73,502	13,636,562
1930	69,468	12,261,659
1931	59,580	10,154,171
1932	56,781	8,687,895
1933	60,683	8,927,408
1934	64,991	9,681,536
1935	70,350	10,440,789
1936	74,940	10,866,346
1937	84,168	12,620,507
1938	73,834	11,098,901
1939	90,135	12,773,781
1940	102,696	15,518,667
1941	117,444	18,476,397
1942	121,419	19,181,665
1943	122,174	19,047,039
1944	155,498	23,700,310
1945	162,198	24,468,409
1946	189,318	29,995,156
1947	210,762	39,727,187
1948	231,608	45,178,968
1949	199,317	40,598,820
1950	214,097	47,356,410

Source: Dominion Bureau of Statistics

(1) Although described as book and writing, the papers referred to in this table actually embrace the general classes of fine papers with which this report is concerned.

Statistics on production, domestic shipments and exports of fine papers have been collected and compiled by the Canadian Pulp and Paper Association. The classification of papers used by the C.P.P.A. and by the Dominion Bureau of Statistics has not been entirely the same so that the figures for production compiled by the C.P.P.A. differ somewhat from those published by the Dominion Bureau of Statistics. The following table, based on data compiled by the C.P.P.A. and submitted on behalf of the fine paper mills, shows production and apparent consumption of fine papers in Canada for the period 1920 to 1950.

Table II

Production, Imports, Exports, Domestic Shipments
and Apparent Consumption of Fine Papers, Canada,
1920-1951.

(Tons)

Year	Production ⁽¹⁾	Imports	Exports	Apparent Consumption	Domestic Shipments	Domestic Shipments plus Imports	Consumption in lbs. per Capita
1920	67,589	4,200*	5,109	66,680	62,194	66,394	15.5
1921	48,214	2,400*	1,451	49,163	46,130	48,530	10.5
1922	58,221	3,400*	2,244	59,377	55,049	58,449	13.1
1923	62,885	4,000*	3,004	63,881	60,005	64,005	14.2
1924	58,974	3,400*	1,689	60,685	57,176	60,576	13.3
1925	60,977	4,000*	2,776	62,201	58,091	62,091	13.3
1926	73,764	4,139	4,286	73,617	69,344	73,483	15.5
1927	87,267	7,465	10,616	84,116	76,386	83,851	17.4
1928	95,992	10,539	7,195	99,336	86,663	97,202	19.7
1929	117,885	14,901	7,726	125,060	109,043	123,944	24.7
1930	104,069	15,057	6,863	112,263	97,190	112,247	22.0
1931	100,970	7,997	7,055	101,912	94,831	102,828	19.8
1932	89,167	5,818	7,760	87,225	81,889	87,707	16.7
1933	88,995	5,389	9,209	85,175	79,769	85,158	16.0
1934	103,078	5,291	14,967	93,402	87,544	92,835	17.3
1935	111,616	5,702	17,720	99,598	93,005	98,707	18.2
1936	127,409	5,561	20,641	112,329	106,319	111,880	20.4
1937	140,223	6,418	22,958	123,683	115,745	122,163	22.1
1938	123,065	6,038	18,632	110,471	103,928	109,966	19.7
1939	142,513	8,079	19,742	130,850	124,906	132,985	23.6
1940	152,062	6,737	19,485	139,314	129,936	136,673	24.0
1941	166,477	5,407	15,254	156,630	154,089	159,496	27.7
1942	175,960	5,582	12,654	168,888	160,229	165,811	28.4
1943	172,727	5,015	14,708	163,034	161,711	166,726	28.2
1944	170,904	5,153	28,639	147,418	141,443	146,596	24.5
1945	175,790	4,882	23,794	156,878	152,160	157,042	25.9
1946	203,521	9,737	27,950	185,308	173,995	183,732	29.9
1947	228,932	11,164	37,139	202,957	191,264	202,428	32.2
1948	247,248	7,308	56,125	198,431	189,817	197,125	30.6
1949	215,050	7,315	20,672	201,677	192,841	200,156	29.2
1950	237,559	7,682	18,272	226,969	220,728	228,410	33.0
1951	274,173	9,251	32,420	251,004	240,407	249,658	35.6

*Estimated - C.P.P.A.

Source: Production, Exports, Domestic Shipments - C.P.P.A.
Imports - D.B.S.

(1) The production figures in this table cover the manufacture in Canada of the five different C.P.P.A. classes of paper described in section (a) of this chapter.

Detailed statistics of the production and shipments of the various grades of fine paper are not available as data have been compiled only for the broader classes of fine papers. The following figures were based on statistical data collected by the C.P.P.A. and were submitted on behalf of the fine paper mills. They show the production, domestic shipments and export shipments in tons for the five fine paper classifications in the year 1949:

	<u>1949</u>	Production	Domestic <u>Shipments</u>	Export <u>Shipments</u>
Book Paper		77,429	74,631	2,936
Fine Paper		66,501	62,219	3,671
Coated Paper		18,256	17,223	749
Miscellaneous Fine Paper		15,503	14,707	385
Groundwood		<u>37,361</u>	<u>24,061</u>	<u>12,931</u>
Total		215,050	192,841	20,672

(c) Consumption of Fine Papers

The consumption of printing and writing papers may be taken as an indication of the extent to which the transmission of ideas is made through mass written media and also as some measure of the industrial and educational development within a country. In a report published by the United Nations Educational, Scientific and Cultural Organization in 1949 under the title, "The Problem of Newsprint and Other Printing Paper", an attempt was made to bring together available data on the production and consumption of such papers. The report pointed out that except in North America and Australia consumption of printing papers was lower than it had been in 1939 and said that the shortages prevailing were hampering the publication of books for educational and other purposes at a time that consumption requirements were much greater than they had been in 1939. In addition, the report indicated that because the countries which were in greatest need of more paper were generally short of foreign currency, they were forced to buy from soft currency sources where supplies were limited and thus a more equitable distribution of available supplies was made very difficult. The following table, taken from this report, gives the estimated per capita consumption of printing and writing paper (other than newsprint) in a number of countries. The figure for Canada, which was not given in the original table, has been inserted:

Table III

Estimated Per Capita Consumption of Printing and Writing Papers,
other than Newsprint, in various Countries, 1948.

<u>Country</u>	<u>kg. per head⁽¹⁾</u>
Austria	7.3
Bolivia	0.4
Brazil	1.0
Bulgaria	0.7
Burma	0.1
Canada	13.9
Colombia	0.6
Costa Rica	0.9
Cuba	1.1
Czechoslovakia	5.8
Denmark	8.7
Ecuador	0.2
Egypt	0.3
Federation of Malaya and Singapore	0.4
France	7.5
Greece	0.7
Honduras	0.1
India	0.2
Ireland	2.3
Italy	1.2
Japan	1.1
Lebanon	0.6
New Zealand	8.0
Norway	10.4
Pakistan	0.1
Peru	0.4
Philippines	0.2
Switzerland	8.9
Turkey	0.2
Union of South Africa	3.8
United States	26.4

- The Problem of Newsprint and Other
Printing Paper
Unesco, Paris, 1949

⁽¹⁾
1 kilogram equals approximately 2.205 pounds.

The per capita figures for the consumption of paper in Canada do not take full account of the use of printed material in this country because of the very large importations of books, magazines and other printed matter, the paper content of which is not reflected in the figures given above. With reference to imports from the United States alone, the report of the Royal Commission on National Development in the Arts, Letters and Sciences compares the circulation of nearly forty-two million copies a year for Canadian magazines with an American circulation in Canada of over eighty-six millions. Although magazines probably make up the greater part of imports of printed material, substantial quantities of paper would be involved in imports of books and other classes of printed matter not only from the United States but from other countries as well.

(d) Development of Industry

The manufacture of paper has been carried on in Canada since 1803 when the first mill was established at St. Andrews, Quebec. Some of the mills of the fine paper group had their origins in the early period of Canadian paper manufacture before wood-pulp became the principal raw material. The manufacture of paper on the site of the present Don Valley mill was first undertaken about 1826 when a paper mill for the production of hand-made paper was established there. This mill had the distinction of being the first in Canada to install a paper machine which is reported to have been put into operation about 1832. Paper-making at Georgetown, Ontario, where Provincial Paper Limited now operates a coating mill, was begun about 1852 by the Barber brothers. The first chemical wood-pulp mill in Canada was erected at Windsor Mills, Quebec, in 1864, where Canada Paper Company now operates a paper mill, and the first groundwood pulp mill was put into operation a few years later at the Alex. Buntin plant at Valleyfield, Quebec. The use of wood-pulp for the manufacture of paper in Canada thus had its start about the time of Confederation and the pulp and paper industry developed rapidly from then on with the major development taking place after the turn of the century and particularly after the stimulus of demands occasioned by the First World War.

Paper merchants played an active role in the development of paper-making in Canada. The early history of the older fine paper merchant firms reveals a number of principals who were also the leading figures in paper manufacturing. In some cases, such as that of the Barber brothers, whose name has been perpetuated in that of Barber-Ellis of Canada, Limited, entrance into the paper merchant business came after the establishment of a paper mill. Others, such as J. B. Rolland, took up the manufacture of paper after experience in the merchandising of paper. Alexander Buntin, whose establishment of the first groundwood pulp mill has already been mentioned, also started in the paper merchant trade and had set up two firms of paper dealers before engaging in the business of paper manufacturing. These two merchant firms, established about 1850, have been succeeded eventually by corporations which have retained the name Buntin in their corporate titles, namely Buntin, Gillies & Company Limited and Buntin

Reid Paper Company Limited. The foregoing instances have been cited by way of illustration and many other examples could be found, particularly in earlier periods, of those who have been active in both the manufacture and merchandising of papers.

(e) Customs Duties

During the development of the fine paper industry in Canada, customs duties have generally applied to the main classes of fine papers imported into Canada. A brief presented on behalf of the fine paper mills stated:

" . . .

. . . It is certain, for instance, that if it were not for the Canadian tariff we would not have the kind of fine paper industry that we now have - viz., one that is developed and built to supply a comparatively limited home market, where each company is equipped to make many different grades in comparatively small quantities. Similarly, if it were not for the prohibitive U. S. tariff the pattern of fine paper production might very well have become similar to that of newsprint, where a mill would produce one or two grades of paper in large quantities with the pattern of distribution being one of serving a reduced volume of domestic needs and a substantially higher volume of exports - principally to the U. S. A.

The essential fact in the foregoing is that the U.S. and the Canadian tariffs together determine the pattern of development of these companies into concerns designed to serve relatively small Canadian needs for a wide range of products, which in turn has caused the industry to face the problems of variety production rather than those of mass production. Exports have been a secondary consideration and have been confined almost entirely to British Empire countries where Canada has enjoyed the benefits of preferential tariffs.

. . . "

Canadian tariff schedules applying to the major classes of fine papers have remained relatively stable during the present century although the scheduled rates have been substantially modified in their effect in some respects by provisions allowing drawback of duties in the case of certain classes of paper which were used by publishers of periodicals. Imports of fine paper come principally under tariff items 192, 197, 197a, 198 and 198a. Tariff item 192 embraces such classes as index card stock, bristol boards and blanks, ticket board and blotting paper. The rates

for a number of years prior to 1939 were:

British Preferential	15%
Intermediate or Most-Favoured-Nation	25%
General	35%

Under the trade agreement with the United States the rate became $22\frac{1}{2}$ per cent on January 1, 1939 and the effective rates have since been:

British Preferential	15%
Most-Favoured-Nation	$22\frac{1}{2}\%$
General	35%

Coated book, printing and litho paper, coated cover papers, carbon paper, ruled and border and boxed paper fall under tariff item 198 for which the rates have been as follows:

	Prior to 1937	1937	1939	1948
British Preferential	$22\frac{1}{2}\%$	20%	20%	$17\frac{1}{2}\%$
Intermediate or Most-Favoured-Nation	$32\frac{1}{2}\%$	$32\frac{1}{2}\%$	$27\frac{1}{2}\%$	25%
General	35%	35%	35%	35%

In 1922 tariff item 198a was introduced, covering coated papers used exclusively in the production of periodicals, with the following rates:

British Preferential	$17\frac{1}{2}\%$
Intermediate	$32\frac{1}{2}\%$
General	35%

Tariff item 197 reads "Paper of all kinds, n.o.p." and embraces such classes of fine paper as writing (including bond and ledger) and envelope paper, uncoated book, printing and litho paper, uncoated cover paper and business machine paper. The rates under this item for a great many years have been:

British Preferential	15%
Intermediate or Most-Favoured-Nation	$22\frac{1}{2}\%$
General	25%

In January 1936 the rate of $22\frac{1}{2}$ per cent was extended to imports from the United States.

Tariff item 197a was introduced in 1922 to cover uncoated book paper used exclusively in the production of periodicals. The rates under the Intermediate and General Tariffs were the same as in the case of Item 197 but under the British Preferential Tariff the rate was $12\frac{1}{2}$ per cent.

For a period between February 1928 and September 1930 a drawback of 80 per cent applied generally on paper covered by items 197a and 198a when used exclusively in the production of publications, other than trade journals. In May 1936 a drawback of 50 per cent of duties was established on paper of all kinds used in the production of periodical publications and in February 1937 the rate of drawback was increased to 75 per cent. This meant that the effective rates of duty under items 197a and 198a were subsequently:

<u>Item</u>	<u>British Preferential</u>	<u>Most-Favoured-Nation</u>
197a	3.1%	5.6%
198a	4.4%	8.2%

As a result of the Torquay trade agreements made in 1951, imports of paper for use in periodicals under tariff items 197a and 198a became duty free under the British Preference and Most-Favoured-Nation tariffs.

II. Organization of Canadian Fine Paper Industry and Trade

(a) Fine Paper Mills

The group of manufacturers described as "the fine paper mills" or "the mills" for purposes of this report are the following:

Alliance Paper Mills Limited	Merritton, Ontario
Canada Paper Company	Montreal, Quebec
Don Valley Paper Co. Limited	Toronto, Ontario
The E. B. Eddy Company	Hull, Quebec
Howard Smith Paper Mills, Limited	Montreal, Quebec
Provincial Paper, Limited	Toronto, Ontario
Rolland Paper Company Limited	Montreal, Quebec

It may be noted that all seven mills have their head offices in the provinces of Ontario or Quebec and it is the case that all their manufacturing facilities are located in these two provinces.

It has already been pointed out that some of the manufacturers in this group are engaged in a substantial way in the production of other classes of paper and that (as shown in Table VII) all types of fine paper are not made by each of the manufacturers listed above. For example, Don Valley makes only "miscellaneous" fine papers. Tonnage figures given in Tables II and IV also show that there is a certain amount of Canadian fine paper production by companies outside the group designated as "the mills". The greater part of this production has been in the groundwood grades and has been consumed outside of Canada. Coated papers, besides being made by Alliance and Provincial, are made by Canada Glazed Papers Limited of Toronto. This company, which sells its products in Canada, buys the paper it coats from a number of sources and does not itself make paper. Canada Glazed Papers started operations in 1939 and although the evidence in the inquiry indicates that its officers had some knowledge of some of the arrangements described in this report, it played no important part in the planning of them or in their operation. Canada Glazed Papers was not a party to the "Loyalty Discount Agreement" described later on in this report and its distribution methods were apparently independently patterned. With this exception no Canadian producer outside of the group named above had any important position in the post-war years as a supplier of fine paper to the Canadian market. In fact, since 1935 only three other manufacturers have been engaged sufficiently in the production of fine papers to be classed with the fine paper mills. These were Montreal Coated Papers, Limited, Montreal, which ceased operations about 1939; Valleyfield Coated Paper Mills Limited, Valleyfield, P.Q., whose plant was destroyed by fire in 1938 and not rebuilt; and Champion Paper Mills Limited, Toronto, which produced book and fine papers from 1944 to 1948.

Table IV sets out the fine paper production figures for each of the mills for each of the years 1936 to 1951 inclusive.

Table IV
Total Production of Fine Paper Grades by Mills, 1936-1951.
(Tons)

<u>Year</u>	<u>Alliance</u>	<u>Cans do</u>	<u>(1) Don Valley</u>	<u>(2) Eddy (Booth)</u>	<u>(2) Howard Smith</u>	<u>Provincial</u>	<u>Rolland</u>	<u>Total</u>
1936	9,082	6,477	15,264	28,007	56,043	10,465	125,338	
1937	3,933	6,730	17,792	32,489	60,355	11,826	138,150	
1938	8,277	6,787	15,727	27,986	52,455	10,492	121,726	
1939	8,618	8,538	18,770	34,458	53,545	13,011	141,940	
1940	8,488	10,236	21,055	37,567	38,144	16,563	152,062	
1941	8,984	11,555	24,329	38,161	61,919	21,529	166,477	
1942	8,293	11,765	34,603	33,445	61,512	21,144	175,960	
1943	8,315	12,146	39,723	37,713	52,435	22,339	172,727	
1944	7,374	9,877	2,299	29,085	33,646	20,165	159,055	
1945	7,113	10,530	2,472	32,850	38,725	21,628	165,480	
1946	9,047	13,744	2,825	34,542	36,415	65,357	23,935	
1947	9,428	13,C7C	2,819	34,433	40,968	71,556	28,776	
1948	10,017	11,777	2,556	34,256	74,199	25,374	197,949	
1949	9,831	14,500	2,503	34,120	43,216	70,412	24,722	199,304
1950	10,489	15,109	2,617	31,466	45,600	79,926	29,958	215,165
1951	11,130	14,489	2,910	35,240	49,752	31,618	33,129	238,268

(1) Production figures not obtained for years 1936 to 1944 inclusive.

(2)

Includes production figures for J. R. Booth Limited, acquired by Eddy in 1946.

Table V, immediately hereunder, shows that in the years since 1935 the fine paper mills have ordinarily supplied something over 90 per cent of the fine papers bought by Canadian users.

Table V

Percentage of Canadian Market Supplied by Canadian Fine Paper Mills,
1936-1951

Year	Total Shipments in Canada by all Manufacturers (Tons)	Imports (Tons)	Apparent Consumption in Canada (Tons)	Total Shipments by Fine Paper Mills (1) (Tons)	Percentage of Consumption Supplied by Fine Paper Mills
1936	106,319	5,561	111,880	104,213	93.15
1937	115,745	6,418	122,163	113,639	93.02
1938	103,928	6,038	109,966	102,563	93.35
1939	124,906	8,079	132,985	124,306	93.47
1940	129,936	6,737	136,673	129,936	95.07
1941	154,089	5,407	159,496	154,089	96.61
1942	160,229	5,582	165,811	160,229	96.63
1943	161,711	5,015	166,726	161,711	96.99
1944	141,443	5,153	146,596	134,053	91.44
1945	152,160	4,882	157,042	143,919	91.64
1946	173,995	9,737	183,732	164,445	89.50
1947	191,264	11,164	202,428	180,810	89.32
1948	189,817	7,308	197,125	180,703	91.67
1949	192,841	7,315	200,156	186,772	93.31
1950	220,728	7,682	228,410	210,198	92.03
1951	240,407	9,251	249,658	223,984	89.71

(1)

Figures for Don Valley not included for years 1936 to 1943 inclusive.

Source: Calculated from information supplied
by C.P.P.A.

The following table shows for the years 1936 to 1951 inclusive the proportion of the mills' fine paper production that has been sold in the Canadian domestic market.

Table VI

Exports and Domestic Shipments of Canadian Fine Paper Mills and
Domestic Shipments as Percentage of Total Shipments,
1936-1951.
(Tons)

<u>Year</u>	<u>Exports</u>	<u>Domestic Shipments</u>	<u>Total Shipments</u>	<u>% of Domestic Shipments to Total Shipments</u>
1936	20,641	104,213	124,854	83.5
1937	22,958	113,639	136,597	83.2
1938	18,632	102,563	121,195	84.6
1939	19,742	124,306	144,048	86.3
1940	19,485	129,936	149,421	87.0
1941	15,254	154,089	169,343	91.0
1942	8,455	160,229	168,684	95.0
1943	14,708	161,711	176,419	91.7
1944	24,247	134,053	158,300	84.7
1945	21,714	143,919	165,633	86.9
1946	19,982	164,445	184,427	89.2
1947	19,889	180,810	200,699	90.1
1948	15,787	180,703	196,490	92.0
1949	10,915	186,772	197,687	94.5
1950	6,179	210,198	216,377	97.1
1951	13,063	223,984	237,047	94.5

In view of the diversity of types of paper, other than fine papers, made by several of the principal manufacturers in the fine paper group and the adaptability of paper machines to make different types of paper, as is illustrated by the withdrawal of Canada Paper Company from the production of certain classes of fine papers and the concentration on other classes, no attempt has been made to estimate the year to year changes since 1935 in the mill capacity in Canada devoted to the production of fine papers. It is evident that only at intervals in the years prior to the outbreak of the war was the available mill capacity fully employed. For a considerable part of the war period, production was limited by the availability of materials, power or labour. Tonnage figures of annual production, while they tend to show the long-run trend in productive capacity, cannot be taken as a measure of productive capacity unless it is clear that conditions both as to demand and resources would lead to capacity or near-capacity operations.

If the years of peak production in the period since 1935 are taken for the present group of fine paper mills, the following figures are obtained:

<u>Year</u>	<u>Tonnage Produced</u>
1937	138,130 ⁽¹⁾
1942	175,960 ⁽¹⁾
1946	185,865
1947	201,050
1951	238,268

(1)

The totals for those years would be somewhat higher if tonnage for Don Valley were included.

In the years 1945 to 1950 inclusive, the mills spent a total of approximately \$50,000,000 on buildings and machinery. About one-half of this was spent on repairs and the remainder on capital expense. Because some of the mills, particularly Canada Paper, Eddy and Howard Smith have important operations outside of the fine paper field, it is not possible to say just what part of this \$50,000,000 was spent on projects that would increase the mills' fine paper producing capacity, but there is no doubt that it was substantial. The same group of mills anticipated additional expenditures of \$19,400,000 in 1951 and further investment has been indicated for the improvement or enlargement of manufacturing facilities. Thus production figures for 1951 do not fully show the capacity which will be available in 1952. In one case, that of Howard Smith, a new fine paper machine, with an annual capacity of approximately 24,000 tons, was brought into production at its Cornwall mill at the end of 1951 or very early in 1952. In another case, that of Provincial Paper, various projects completed in 1951 and to be completed in 1952 will increase that company's fine paper productive capacity. Various expenditures made by other mills would have the same tendency to expand capacity.

From the table given above it will be seen that the tonnage produced in 1946 was substantially greater than that produced in 1937 and the tonnage produced in 1951 greater again than that produced in 1946. The production in 1951 was 28.2 per cent greater than in 1946 and this larger tonnage was made possible in large part by the improvement in machine operations and the enlargement of facilities resulting from the expenditures already mentioned. The production figures for individual companies given in Table IV show that of the total increase in production of 52,403 tons in 1951 compared with 1946, Howard Smith, Provincial and Rolland accounted for 48,792 tons. This represents an increase in production of 38.8 per cent for the three companies in the period. It has already been mentioned that both Howard Smith and Provincial will have larger production facilities available in 1952 than they had in operation in 1951.

In the case of several of the companies, mergers or acquisitions have had a part in the building up of the present corporate organizations and manufacturing properties. A more detailed description of the companies making fine papers follows.

(i) Howard Smith Paper Mills, Limited (Howard Smith)

The present Howard Smith Paper Mills, Limited, with head office at Montreal, P.Q., was incorporated as a Dominion company in 1928, succeeding a company of similar name which had been incorporated in 1919, which, in turn, had succeeded a company of like name incorporated in 1912. The founder of the business was the late C. Howard Smith, who established a fine paper jobbing business about 1899 which was conducted under the name of Howard Smith Paper Company, Limited, from 1906 to 1912, when Howard Smith Paper Mills, Limited, was incorporated and commenced the manufacture of paper at Beauharnois, P.Q. About 1917 the mill of Edwin Crabtree & Sons at Crabtree Mills, P.Q., was acquired, and in 1919 Toronto Paper Manufacturing Company Limited was purchased as a going concern, the latter company having been established about 1881 by John R. Barber and associates to build and operate a paper mill at Cornwall, Ontario. Kinleith Paper Mills Limited of St. Catharines, Ontario, was acquired in 1924 but this mill was later closed. A financial interest in the Canadian Cellulose Company Limited, which operated a bleached soda pulp plant at Cornwall, Ontario, was acquired in 1926, and in 1935 the assets and liabilities of this company as a going concern were taken over by Howard Smith.

In 1928 Holt, Gundy and Company Limited caused to be incorporated the present Howard Smith Paper Mills, Limited, and in the same year C. Howard Smith and H. Crabtree, who were officers of the new company, were reported to have acquired control of Lincoln Pulp & Paper Company Limited of Merriton, Ontario, manufacturers of pulp and paper, and Georgetown Coated Paper Mills Limited of Georgetown, Ontario, and Ritchie and Ramsay Ltd. of Toronto, Ontario, manufacturers of coated paper. Alliance Paper Mills Limited (Alliance) was organized on October 1, 1928, as a Dominion company to acquire control of the three companies. Controlling interest in Alliance was assumed by Howard Smith in 1929, and the company is now a wholly-owned subsidiary. The plant of Ritchie and Ramsay Limited ceased to operate in 1929 and equipment retained was transferred to the mill at Georgetown. On July 1, 1939 Alliance assumed control of Don Valley Paper Co. Limited, Toronto (Don Valley) which from 1929 up to the time of acquisition had been controlled by Norman E. Wainwright and associates, the original Don Valley mill having been established about one hundred years previously.

The entire outstanding common stock of Canada Paper Company (Canada Paper) was acquired by Howard Smith in 1929, and some time later the preferred stock of Canada Paper Company was also acquired. Canada Paper Company had been incorporated in 1925 and acquired Canada Paper Co. Ltd., which had been organized in 1873 and operated a paper mill at Windsor Mills, P.Q., and Kilgour's Ltd., a firm of coarse paper merchants. In 1929 Canada Paper "Wholesale" Limited was formed to take over the wholesale paper jobbing business of Canada Paper Company, and it has continued as a subsidiary of Canada Paper Company. An interest in Schofield Paper Company, Limited of Saint John, New Brunswick, a firm of wholesale paper dealers established in 1892, was acquired by Canada Paper Company in 1927. Controlling interest in Schofield Paper Company, Limited was acquired in 1929, and in 1935 Canada Paper Company assumed sole control.

Howard Smith also controls directly three wholesale paper firms. Federal Paper Company Limited was incorporated in 1914 to take over the wholesale fine paper jobbing business of Howard Smith Paper Mills Limited (incorporated 1912). An interest in The Fred W. Halls Paper Company Limited of Toronto is reported to have been acquired on behalf of Howard Smith about 1916, and by 1935 control of this firm had passed to Howard Smith Paper Mills, Limited. The entire outstanding stock of The Fred W. Halls Paper Company Limited was purchased by Howard Smith in 1942. Purchase of all the outstanding stock of Buntin, Gillies & Company Limited of Hamilton, Ontario, was made by Howard Smith in 1941.

In 1947 Howard Smith formed The Arborite Company Limited for the manufacture of laminated plastics, in which use is made of certain materials derived from pulp mill operations. In 1948 and 1949 Howard Smith acquired a substantial interest in Donnacona Paper Company Limited, Quebec, P.Q., a manufacturer of pulp, board and newsprint.

The principal interests of Howard Smith may be indicated as follows:

Howard Smith Paper Mills, Limited
Mills: Beauharnois, P.Q.
Crabtree Mills, P.Q.
Cornwall, Ontario

Alliance Paper Mills Limited
Mills: Merriton, Ont. (2 mills)
Georgetown, Ontario

Don Valley Paper Co. Limited
Mill: Toronto, Ontario

Canada Paper Company
Mill: Windsor Mills, P.Q.

Canada Paper "Wholesale" Ltd.
Kilgour's Limited
Schofield Paper Co. Ltd.

Donnacona Paper Company
Limited⁽¹⁾

The Arborite Co. Ltd.

Federal Paper Co. Ltd.
The Fred W. Halls Paper Co.
Ltd.
Buntin, Gillies & Co. Ltd.

(1) On December 31, 1950 Howard Smith held 231,747 out of the 379,532 issued shares of common stock - The Financial Post Survey of Industrials, 1951.

Howard Smith operates a paper mill and a flax straw pulp mill at Beauharnois, P.Q. This division specializes in the manufacture of high grade rag content bond, ledger, papeterie, text and specialty papers and cigarette paper. At Cornwall, Ontario, there are located a sulphite pulp mill, a soda pulp mill and a paper mill. This division produces a wide variety of

fine papers including sulphite bond, ledger and writing papers, book papers, litho, offset and cover papers and bristols. In addition, there are produced at this division of Howard Smith a number of papers not classified as fine papers and also sulphite and soda pulps, lignin and vanillin. The plant at Crabtree Mills, P.Q., makes book, litho, envelope, tag and other similar papers. In addition there is some production at this plant of grades of paper such as tissue which, apparently because of the uses for which they are intended, are not classified as fine papers.

After its acquisition by Howard Smith in 1929, the manufacture of fine paper grades previously made by Canada Paper Company was transferred almost entirely to the parent company. Canada Paper, with plant at Windsor Mills, P.Q., has since concentrated on the production of a number of papers such as kraft wrapping papers and tissues which are not to be considered as fine papers; and in addition it has made some grades such as groundwood, printing papers and tag manilla which are to be considered to be within the classification of fine papers as used in this report. Canada Paper Company has continued to supply some customers with certain classes of fine paper secured from its parent company, Howard Smith.

At the Lybster Mill at Merriton, Ontario, Alliance Paper Mills Limited produces greaseproof, plain and embossed glassine (which are not fine papers), manifold carbonizing, onionskin, coating base stock and poster paper. The Lincoln Mill, also located at Merriton, produces a variety of tag papers and some lines such as flour sack paper, paper boards and wrappers, which are not ordinarily considered to be fine papers. The coated paper mill of Alliance at Georgetown, Ontario, produces coated book and litho papers, coated tags, bristols, boxboards and blanks.

Don Valley Paper Co. Limited at its mill at Toronto produces cover papers, blottings, index, bristols, postcard, manilla and sulphite tag, envelope and folder stock, white and coloured specialties, etc.

It will be seen from the foregoing that Howard Smith and subsidiaries, in addition to being substantial producers of various classes of fine papers and related lines are also substantial manufacturers of other classes of paper and other products. Because of the diversity of lines involved it is somewhat difficult to make precise statements as to the relative position of any company or group of companies in the fine paper industry. However, on the basis of the classification used by the Canadian Pulp and Paper Association for statistical purposes, production figures for all of the mills are shown in Table VII. On the same basis, the following shows the proportions of domestic shipments of companies in the Howard Smith group to total shipments in 1949 for the grades shown:

Book Paper (general printing and converting)	20.8%
Fine Paper (bonds, ledger, envelope, machine, etc.)	33.2
Coated Paper	36.0
Miscellaneous Fine Paper (blotting, cover, bristols, blanks, etc.)	75.5

(ii) The E. B. Eddy Company (Eddy)

The E. B. Eddy Company, with head office at Hull, P.Q., was incor-

porated by Special Act of the Parliament of Canada in 1886 under the name of The E. B. Eddy Manufacturing Company. In 1891 the name was changed to The E. B. Eddy Company. The business had been founded about 1851 by E. B. Eddy, who later established a pulp mill in Hull, P.Q., about 1889 and added a number of paper machines within the next five years. Following the death of Mr. Eddy in 1906, control of the company was held by Mrs. E. B. Eddy or her estate until 1927, when the control passed to R. B. Bennett. In 1943 W. Garfield Weston acquired control of the company by purchasing all of the issued capital stock. In 1946 Eddy Paper Company Limited was incorporated as a Dominion company and purchased all of the issued capital stock of Eddy with the exception of directors' qualifying shares.

The pulp and paper mills of J. R. Booth Limited across the Ottawa River were acquired by Eddy in 1946, and have since constituted part of the manufacturing plants of Eddy. In 1949 Eddy acquired a controlling interest in Sidney Roofing & Paper Company, Limited, a company manufacturing roofing products, building papers and boxboard in Victoria, British Columbia.

Eddy manufactures, in addition to many classes of fine and specialty papers, many other types of paper and paper products, including newsprint, paperboard, toilet tissues, paper towels and serviettes. Eddy's proportions of the domestic shipments of Book, Fine and Miscellaneous Fine Papers in 1949 were:

Book Paper	9.5%
Fine Paper	22.3
Miscellaneous Fine Paper	15.5

(iii) Provincial Paper, Limited (Provincial)

Provincial Paper, Limited, with head office at Toronto, Ontario, was incorporated under the Ontario Companies' Act in 1927 when Dominion Securities Limited purchased the stock of Provincial Paper Mills Ltd., a company incorporated in 1920. In 1909 St. Lawrence Paper Mills Limited had been incorporated to acquire and operate St. Lawrence Paper Company with a mill at Mille Roches, Ontario. A new company, St. Lawrence Paper Mills Co. Ltd., was incorporated in 1911 to take over the assets of the 1909 company. In 1912 the Montrose Paper Co. at Thorold, Ontario, and the Barber Paper and Coating Mills Ltd. at Georgetown, Ontario, were acquired and in the following year, 1913, Provincial Paper Mills Co. Ltd. was incorporated to take over the assets of the foregoing companies. A subsidiary, Port Arthur Pulp and Paper Company, was incorporated in 1916 to construct a pulp mill at Port Arthur, Ontario, and in 1920 Provincial Paper Mills Ltd. was incorporated to take over the assets of the parent and subsidiary company. Subsequently, paper machines were installed in 1923 and 1926 at Port Arthur. In 1930 all of the common stock of Provincial Paper, Limited was acquired by Abitibi Power and Paper Co. Ltd. by a share for share exchange of Abitibi common stock.

Book and writing papers are the principal classes produced by Provincial at its mills at Mille Roches and Thorold. At Port Arthur book, writing, halftone and machine coated papers are produced. Coated papers and coated boards are produced at the plant at Georgetown, Ontario.

The proportions of domestic shipments in 1949 of Book, Fine and Miscellaneous Fine Papers are as follows in the case of Provincial:

Book Paper	64.5%
Fine Paper	13.3
Miscellaneous Fine Paper	8.4

The statistical series compiled by the Canadian Pulp and Paper Association show the production of coated papers by only three companies. Two of these, Alliance and Provincial have already been mentioned. The third, Canada Glazed Papers, Limited, of Toronto, engages only in the coating process and purchases paper stock for such conversion. The proportions of domestic shipments of Coated Paper in 1949 for each of the three companies are as follows:

Alliance	36.0%
Canada Glazed	21.9
Provincial	42.1

(iv) Rolland Paper Company Limited (Rolland)

Rolland Paper Company Limited, with head office at Montreal, P.Q., was incorporated as a Dominion company in 1928 to take over the business of The Rolland Paper Company, Ltd. with mills at St. Jerome and Mont-Rolland, P.Q. The mill at St. Jerome had been established in 1882 by Jean-Baptiste Rolland, who had founded a firm of paper merchants in 1842 which later operated under the name, J. B. Rolland & Fils. The Rolland Paper Company Ltd. had been incorporated in 1908 and control was held by the Rolland family until 1928 when Royal Securities Corporation organized the new company to take over the business. The mill at Mont-Rolland, which had been established by the Rollands as a separate company in 1902, was absorbed into the Rolland Paper Co. Ltd. in 1912.

Rolland, which has specialized in the production of high grade papers, including rag content grades, since the foundation of the company, has continued to confine its operations more largely to the manufacture of "fine papers" than have the other companies in the fine paper group. The production of the mill at Mont-Rolland consists principally of bond, ledger, writing and book papers, and that of the mill at St. Jerome of tub-sized and loft dried bonds, ledger and writing papers and certain specially finished fine paper lines. The statistics compiled by the Canadian Pulp and Paper Association show the following proportions for Rolland in domestic shipments of Book and Fine Papers in 1949:

Book Paper	5.2%
Fine Paper	31.2

The positions of the various companies were summarized as follows in the brief presented on behalf of the fine paper mills:

" . . .

. . . Today, Rolland produces about a third of all fine papers manufactured in Canada, and fine papers represent over

80 per cent of Rolland's production. Provincial manufactures over 60 per cent of all book paper, about 45 per cent of all coated paper, about 13 per cent of all fine papers, and these classifications represent respectively 67 per cent (for book papers) 12 per cent (for coated papers) and 11 per cent (for fine papers) of Provincial's total production of the grades under review. Howard Smith produces about 30 per cent of all Canadian fine papers, about 17 per cent of all book papers, and about 2/3 of all miscellaneous grades, and these classifications represent 48 per cent (for fine papers) 32 per cent (for book papers) and 19 per cent (for miscellaneous papers) of Howard Smith's total. Canada Paper is mainly engaged in manufacturing grades outside this inquiry, but for the grades covered produces about 50 per cent of all groundwood papers and small quantities of fine and miscellaneous papers. Alliance is also substantially concerned with grades outside this inquiry, but produces about one-third of all coated paper grades made in Canada, with only small quantities of book, fine and miscellaneous grades.

. . ."

In order to complete the comparisons on the same basis, it is necessary to add that Eddy's production represents over 20 per cent of all fine papers, over 10 per cent of book paper, about 19 per cent of miscellaneous fine papers and about 35 per cent of groundwood papers. Production of Don Valley falls largely in the miscellaneous fine paper group, of which its share in 1949 was slightly larger than that of Eddy for the same class.

Table VII, which is based on data compiled by the C.P.P.A., gives figures for 1949 in tabular form to show the production in tons for each of the different classes of fine papers and the total production by all Canadian mills of those papers. Table VII also shows the relative importance, expressed in percentage figures, of each mill in the production of each of the classes of fine paper and the relative importance to each mill of its production of one class of fine papers in comparison with its production of the others.

Table VII
Production of Fine Papers in Canada by
Mill and Class of Fine Paper,
1949

(v) Trade Associations

Howard Smith and its subsidiary, Alliance, with its subsidiary, Don Valley, Eddy, Provincial and Rolland make up the membership of the Book and Writing Section of the C.P.P.A. Canada Paper was a member of the Book and Writing Section until 1940, while Don Valley began to be represented at meetings of the Section in 1939, after it had been acquired by Alliance. The brief presented on behalf of the fine paper mills states:

" . . .

There are no mills in Canada that could properly be classified as fine paper mills that are not members of the Book and Writing Section. . . .

. . . "

The Canadian Pulp and Paper Association was formed in 1913 and its membership has embraced all but a very small part of the pulp and paper industry in Canada. Almost from its beginning the organization has had a number of trade sections made up of member companies interested in a particular class of paper. The Book and Writing Section has been one of these trade sections.

Article II of the by-laws of the C.P.P.A. reads as indicated below and this article has been phrased in similar language since at least 1932:

"The objects of this Association shall be the consideration of matters of general interest to the Pulp and Paper Industry, the promotion of its welfare, and social intercourse among the members of the Association.

The Association shall not consider or engage in the regulation of prices of products, restriction of territory or of output."

(Exhibit 238)

In addition to trade sections, the C.P.P.A. has a technical section to assist in the advancement of scientific and technical processes in manufacturing operations; a woodlands section to assist similarly with respect to woods operations; an industrial relations section to keep members informed on developments in the field of labour relations; and a traffic section to deal with transportation problems. The association maintains an information office, a trade development department and a statistical department. The C.P.P.A. has participated in a joint arrangement with the Dominion Government and McGill University in support of the Pulp and Paper Research Institute of Canada.

The Book and Writing Section has been provided with secretarial services by the C.P.P.A. In 1930 A. E. Cadman became secretary of the C.P.P.A. and from that time until his retirement as an association official in 1948 Mr. Cadman generally acted as secretary of the Book and Writing Section and

carried out duties in accordance with instructions given by the Section. In 1940, the Executive Committee of the C.P.P.A. informed the Book and Writing Section that certain arrangements relating to discounts and similar matters which were being handled through the Section, and which are described later in this report, should not form part of the functions of the Association, and steps were then taken to have these matters dealt with in other ways. A compilation of conditions of sale applying to transactions involving book and writing papers has been maintained by the Book and Writing Section and issued in published form as Trade Customs. Various revisions have been made in Trade Customs over the years and new editions of Trade Customs published. When Trade Customs were revised after the war, the president of the C.P.P.A. made suggestions as to the form and content of the compilation and references to charges for various operations and to the obligatory nature of conditions, which had appeared in earlier issues, were eliminated from the published edition.

(b) Marketing of Fine Papers by Mills

The method of marketing fine papers is dependent, in some measure, on the use to which the paper is to be put and, to a degree, on the scale of the requirements of the purchaser. Large magazine and book publishers and printers may be recognized as direct buyers by the mills and deal directly with the manufacturers. Such may also be the case with converters, who manufacture stationery, envelopes, school supplies, etc. Lithographers, continuous form manufacturers, business machine houses, bank note companies and others who make purchases in mill shipment quantities may be recognized as direct mill buyers. This is likely to be the case if the paper is made especially for the use of the buyer, such as rolls of special width for continuous form manufacturers or special classes of paper for bank note companies. The Dominion Government and provincial governments may be recognized as direct mill buyers by fine paper manufacturers. It has been the constant endeavour of fine paper merchants to ensure that classes of customers served by them should not be in a position to make direct purchases from manufacturers in mill shipment quantities at prices any more favourable than those offered by merchants. Over the years arrangements and understandings have been arrived at between the merchants' association and the group of fine paper mills on a price structure designed to ensure common prices for comparable lines and for the two forms of purchase: direct mill order and merchant mill order. This pricing structure results in uniformity of prices, as between mills and merchants, for those classes of paper which are distributed by the merchant. Except for accounts put in a special category by the mills, a purchaser of fine papers, even if able to buy directly from the manufacturer, will secure no better terms for the same quantity of paper than if he placed his order with a merchant. On the other hand, a merchant could place an order requiring mill shipment quantity with a mill and have the shipment made directly to the customer.

In view of the wide variety of papers produced by fine paper mills, including other classes of paper, and the many uses to which such paper is put, it is difficult to secure precise figures as to the relative proportions of fine papers sold directly by the mills and sold to fine paper merchants for resale. Fine paper manufacturers were asked to report the dollar value of gross sales of book, writing and other fine and specialty papers and the

value of such sales to fine paper merchants for the years 1938, 1941, 1947 and 1948. Howard Smith was unable to furnish dollar value of sales but did report the quantity of paper. Eddy was unable to show value of sales to fine paper merchants for the year 1938.

It was indicated in the returns made by some companies that the figures might include sales of some papers which would not be classed as fine papers. For the year 1948 the following are the percentages of sales to fine paper merchants of the totals reported by the respective companies:

Alliance	28.6%
Don Valley	50.2
Eddy	25.2
Provincial	35.6
Rolland	78.3
Howard Smith	55.3 ^x

^x
based on poundage

The proportions of total sales made to merchants for the years 1941, 1947 and 1948 based on the returns of the five companies who reported dollar values are as follows:

1941 - 44.0%
1947 - 41.9
1948 - 41.2

Certain additional information as to distribution of sales was given on behalf of Provincial, based apparently on tonnage shipped. It was indicated that sales of book and litho paper constituted 82.6 per cent of Provincial's total sales in 1950, and that of the sales of book and litho paper 27.6 per cent was made to merchants. Book paper includes printing paper used by magazine and other publishers. Of the remainder of the business of Provincial, which apparently consists largely of converting papers, only 8.5 per cent was distributed through merchants.

The general situation appears to be that fine papers used by commercial printers and smaller converters and publishers are distributed through the fine paper merchants and that the larger converters, publishers, lithographers and a small number of other businesses to whom special considerations apply, are supplied directly by the mills.

Howard Smith and its subsidiaries, Alliance and Canada Paper, maintain sales offices in Montreal, Toronto and Winnipeg. In some cases these are joint sales offices and Don Valley shares in one of these in Montreal. Eddy maintains sales offices in Halifax, Saint John, Quebec City, Montreal, Toronto, Hamilton and London, and makes sales in Western Canada through a commission firm which has offices at a number of points. For a considerable period Eddy maintained warehouse stocks across Canada, but in recent years such stocks have been confined to Halifax and Saint John. Provincial maintains sales offices in Toronto, Montreal and Winnipeg and Rolland has branch sales offices at Toronto and Winnipeg, in addition to its general sales office in Montreal.

(c) Fine Paper Merchants

(i) Functions Performed

Fine Paper merchants engage in the wholesaling or jobbing of fine papers. As their principal customers, lithographers and printers, are engaged in further processing or manufacture of the papers supplied, the position of the fine paper merchant differs from that of some other classes of wholesalers who supply goods which are intended for sale in the same form by retail stores. Fine paper merchants are engaged to a considerable extent in supplying types of paper for a specialized use and in quantities necessary for a particular lithographing or printing job. In the case of their smaller customers, the merchants will supply from their stocks the particular classes of paper required at any time. In the case of larger orders, the merchant may send the specifications, if the quantities required justify a mill order, to the mill and have the shipment made directly to the customer. Fine paper merchants, of course, stock lines of paper required for business, office or school use and supply such lines to customers who require paper in wholesale quantities. While a few merchants specialize in the sale of fine papers, others combine this business with related lines, such as the distribution of coarse papers, or the distribution or manufacture of stationery and envelopes and other forms of paper converting.

(ii) The Canadian Paper Trade Association

The Canadian Paper Trade Association (C.P.T.A.) was formed in 1918 as an association of fine paper merchants. Its membership includes merchants in all regions of Canada and it appears that throughout its existence, and certainly since 1935, practically all principal fine paper merchants have been members of the association or participants in its local section or group activities.

Although the C.P.T.A. was formed in 1918 and there is considerable evidence as to its activities in the years preceding 1940, the oldest copy of its by-laws that was located during the investigation was marked "Revised to January 25, 1940". Those by-laws appear as Appendix II to this report.

Since January 25, 1940 at the latest, and apparently for some years prior thereto, the by-laws of the C.P.T.A. have provided that the association should have four main territorial sections. These, with the principal territories covered, have been:

<u>Section</u>	<u>Territory</u>
Maritime	Nova Scotia and New Brunswick
Central	Quebec and Ontario
Prairie	Manitoba, Saskatchewan and Alberta
British Columbia	British Columbia

The C.P.T.A. has had as its principal officers a president, vice-president, treasurer and secretary. The first three of these have been elected from the membership at the association's annual meeting after having been nominated by the Executive Council of the C.P.T.A. The three elected officers of the C.P.T.A. along with the immediate past president, the chairman of each

of the sections, also elected annually, and the chairman of the association's Mills Relation Committee have made up the membership of the Executive Council of the C.P.T.A.

Since 1927 the secretary of the C.P.T.A. has been Ivan Moffitt of Toronto. Mr. Moffitt became a partner in the firm of Hodder & Moffitt, trade association secretaries, when it was formed in 1934 and latterly has been the senior partner in that firm. Hodder & Moffitt opened branch offices in Montreal in 1938 and in Winnipeg in 1939.

At a special general meeting of the C.P.T.A. in June 1941, the following additions to Article IV of the by-laws were adopted:

- "(3) All decisions taken by the Association under these by-laws shall be binding upon and shall be respected and maintained by all Sections; and no Section shall take action to nullify or repeal any such decision other than as provided under Article IX, Sections (4) and (5).
- (4) Each Section shall adopt rulings and regulations that it deems necessary and advisable for the conduct of business in the territory coming under its jurisdiction, provided no such ruling or regulation is repugnant to any decision previously taken by the Association and remaining in force."

(MCF 10-15A)

To a large extent membership of the C.P.T.A. has consisted of merchants who have carried on their businesses largely within one of the territories covered by a section of the association so that a majority of the members in each section have been concerned principally with conditions affecting trade in their particular locality. For as far back as 1935, and in some cases earlier, there is evidence that members of each C.P.T.A. section have had arrangements on a sectional basis, in most cases similar in purpose but not in form to arrangements in other sections. The C.P.T.A. may be regarded as having been organized on a country-wide basis to enable the merchants to act as a national group in negotiations with the mills and to furnish a framework within which problems of concern to the whole membership or extending beyond the individual section could be more effectively dealt with. The various sections, as the above quotations from the by-laws indicate, have been organized to handle matters having to do with "the conduct of business in the territory coming under (their) jurisdiction". In large measure, the sectional activities have involved the drawing up and administration of the various joint arrangements relating to sales practices and selling prices that have prevailed within a particular section and which will be described later in this report.

It might be mentioned here that the Central Section of the C.P.T.A. has for years had two sub-sections. One of these, centered on Toronto, has been called the Ontario Sub-Section and the other, centered on Montreal, has been known as the Quebec Sub-Section. Although to a very great extent the members of these sub-sections have the same regulations - those of the Central Section - some differences did exist between the two sub-sections and, when a member with head office in one sub-section made sales in the other, it was the practices in effect in the latter that were to be observed. Except for the fact that there is closer liaison between the sub-sections than between

sections, and more trading by a member of one sub-section in the other than by a member of one section in another section, the sub-sections have functioned in much the same manner as the separate sections.

In its activities as a national body, the principal trade group with which the C.P.T.A. has dealt has been the mills. For many years the regular dealings between the merchants and mills were handled, insofar as the merchants were concerned, by the C.P.T.A.'s annually elected Mills Relation Committee. This committee would be requested by the whole C.P.T.A. membership, or by some group within it, to take up problems on the merchants' behalf with the suppliers, and it was the regular channel of communication through which the full force of the organized merchants' requests or demands could be brought to bear on their principal suppliers. In the period following the removal of price controls, the secretary, Ivan Moffitt, has handled a considerable part of the mill-merchant negotiations without them being referred to the Mills Relation Committee.

The day to day activities of the C.P.T.A. in its national aspects have not involved the detailed and constant attention which has been devoted to the activities in the principal sections. The full association has had annual meetings and occasional special general meetings as provided for in the by-laws. The national executive, known as the Executive Council, the Executive Committee or the Executive Board, had meetings from time to time during the year and conducted the routine business of the organization. In addition, the secretary's office has done a certain amount of work in the collection of information of interest to the members and in its distribution. When any general matter of concern to members in all sections has been under consideration, for example the introduction of a new price structure by the mills, the C.P.T.A. would occupy an important position in providing a means for the formulation of policy by the membership and in attempting to have that policy accepted by the mills.

The C.P.T.A.'s annual meetings were generally well attended by the merchants and records covering meetings in the post-war years show that mill representatives also attended. These annual meetings afforded an opportunity for the discussion of problems arising from different practices being followed in different sections of the association. Although such discussions did not always result in the complete removal of the cause of concern to some of the parties, they did assist in the establishment of an environment in which compromise arrangements could be worked out.

(iii) Particulars of Membership in the C.P.T.A.

The following table sets out the membership of the C.P.T.A. as it was at the time of the association's annual meeting in June 1950:

Table VIII

Members of the Canadian Paper Trade Association, June, 1950.

Name of Member	Location of Principal Place of Business
Barber-Ellis of Canada, Limited	Toronto
The Barkwell Paper Co.	Winnipeg
The Brown Brothers, Limited	Toronto
Buntin, Gillies & Company Limited	Hamilton
Buntin Reid Paper Company Limited	Toronto
Canada Paper "Wholesale" Limited	Toronto
Clark Brothers and Company Limited	Winnipeg
Coast Paper Limited	Vancouver
Columbia Paper Company Limited	Vancouver
W. V. Dawson Limited	Montreal
Federal Paper Company Limited	Montreal
Fine Papers Limited	Toronto
W. J. Gage and Company Limited	Toronto
The Fred W. Halls Paper Company Limited	Toronto
T. Havill Paper Company	Montreal
Hillier Paper Limited	Winnipeg
Kruger Paper Company Limited	Montreal
T. B. Little Papers Limited	Montreal
McFarlane Son & Hodgson (Limited)	Montreal
Mid-West Paper Limited	Winnipeg
John Neville Paper Company	Ottawa
Phillips Paper Co. Ltd.	Winnipeg
La Compagnie J. B. Rolland & Fils	Montreal
Schofield Paper Company, Limited	St. John
Smith, Davidson & Wright, Limited	Vancouver
L.-P. Turgeon & Fils	Quebec
United Paper Mills Limited	Toronto
Whyte-Hooke Papers Limited	Toronto
The Wilson-Munroe Company Limited	Toronto

Each of the firms named in the above list had a warehouse at which it held fine paper stocks in the city in which it is shown as having its principal place of business. In addition, some of the firms named had branches, subsidiaries or affiliated companies located in other cities, in which warehouse stocks of fine papers were also held. One such company was Barber-Ellis which had seven subsidiary companies, including W. V. Dawson of Montreal. Barber-Ellis, including its subsidiaries, was the only member of the C.P.T.A. with warehouse stocks in each of the association's four territorial sections. The Barber-Ellis subsidiaries were represented at the sectional meetings held in the places where they did business.

Fine Papers Limited, shown in the above list as a member of the C.P.T.A. had a number of close business ties with Fine Papers (London) Limited but there was no common ownership. These two merchants shared the expenses and responsibilities of the membership in the C.P.T.A. which was held in the name of Fine Papers Limited.

In early 1950 the members of the C.P.T.A., their subsidiaries and affiliates held stocks of fine papers in approximately 61 warehouses located in 16 different Canadian cities. The location of these 61 warehouses, by sections and sub-sections of the C.P.T.A., is set out in the following table:

<u>Section of the C.P.T.A.</u>	<u>Number of Warehouses</u>
Maritime Section	3
Central Section	33
- Quebec Sub-Section	17
- Ontario Sub-Section	16
Prairie Section	19
British Columbia Sectio..	6
	61

Particulars of the cities in which members of the C.P.T.A. had warehouse stocks are given in Table IX which follows. This table, as well as showing the section or the sub-section of the C.P.T.A. in which the particular firm was represented, includes a column for the Quebec Fine Paper Council (Q.F.P.C.) which was formed in 1938. A detailed description of the activities undertaken in the Quebec Fine Paper Council is given in chapters VI and VII of this report. It may be noted from Table IX that at one time or another all the Quebec members of the C.P.T.A. were members of the Q.F.P.C., but that at no single time were they all members of both the C.P.T.A. and the Q.F.P.C. T. B. Little was not a member of the C.P.T.A. when the Q.F.P.C. was formed, and by the time it had rejoined the C.P.T.A. McFarlane Son & Hodgson had withdrawn from the Q.F.P.C. Later, but before the investigation started, T. Havill also withdrew from the Q.F.P.C. and after the investigation started Turgeon withdrew.

Table IX

Members in Sections of the C. P. T. A. and Location
of Members' Warehouses, 1950.

Name and Address of Merchant	Central Section			Maritime Section			Prairie Section			B. C. Section			Branch Holding Stocks	Warehouse Fine Paper	Principal Place of Business (including warehouses)	Short Name
	Ontario	Quebec	Sub-Section	Quebec	Sub-Section	Fine Paper Council	Section	Section	Section	Section	Section	Section				
Barber-Ellis of Canada, Limited, Toronto, Ont. x			x			x							Toronto	Bramford	Barber-Ellis	
Barber-Ellis of Montreal, Limited, Montreal, Que. x			x			x							Montreal		Barber-Ellis, Montreal	
Barber-Ellis of Winnipeg, Limited, Winnipeg, Man. x			x			x							Winnipeg		Barber-Ellis, Winnipeg	
Barber-Ellis of Regina, Limited, Regina, Sask. x			x			x							Regina		Barber-Ellis, Regina	
Barber-Ellis of Alberta, Limited, Calgary, Alta. x			x			x							Calgary		Barber-Ellis, Alberta	
Barber-Ellis of Vancouver, Limited, Vancouver, B.C. x			x			x							Vancouver		Barber-Ellis, Vancouver	
Barber-Ellis, Maritime, Limited, Halifax, N.S. x			x			x							Halifax		Barber-Ellis, Maritime	
The Barkwell Paper Co., Winnipeg, Manitoba x			x			x							Winnipeg		Barkwell	
The Brown Brothers, Limited, Toronto 1, Ontario x			x			x							Toronto		Brown Bros.	
Buntin, Gillies & Company Limited, Hamilton, Ont. x			x			x							Hamilton		Burtin Gillies	
Buntin Reid Paper Company Limited (2), Toronto, Ont. x			x			x							Toronto		Burtin Reid	
Canada Paper "Wholesale" Limited, Toronto, Ont. x			x			x							Toronto		Canada Paper Wholesale	
Clark Brothers and Company Limited, Winnipeg, Man. x			x			x							Winnipeg		Clark Bros.	
Coast Paper Limited, Vancouver, B.C. x			x			x							Vancouver		Coast Paper	
Columbia Paper Company Limited, Vancouver, B.C. x			x			x							Vancouver		Columbia	
W. V. Dawson Limited, P.Q. Montreal, P.Q. x			x			x							Montreal		W. V. Dawson	

Name and Address of Merchant	Central Section Ontario	Quebec Sub-Section	Quebec Fine Paper Council	Maritime Section	Prairie Section	B. C. Section	Principal Place of Business (including warehouse)	Warehouses Holding Fine Paper Stocks	Short Name Used in This Report
Federal Paper Company Limited, Montreal, P.Q.	x	x	x				Montreal	Ottawa	Federal Paper
Fine Papers (London) Limited, (4) London, Ont.	x						London		Fine Papers (London)
Fine Papers Limited, (4) Toronto, Ontario	x						Toronto		Fine Papers
W. J. Gage and Company Limited, (5) Toronto 2-B, Ontario	x						Toronto		
The Fred W. Halls Paper Company Limited, Toronto, Ontario	x						Toronto	London	Fred W. Halls
T. Havill Paper Company, (6) Montreal, P.Q.	x						Montreal		Havill Paper
Hillier Paper Limited, (7) Winnipeg, Manitoba	x								Hillier Paper
Kruger Paper Company Limited, Montreal, P.Q.	x						Montreal		Kruger Paper
T. B. Little Papers Limited, (8) Montreal, P.Q.	x						Montreal		T. B. Little
McFarlane Son & Hodgson Limited, (9) Montreal, P.Q.	x						Montreal		McFarlane Son & Hodgson
Mid-West Paper Limited, (10) Winnipeg, Manitoba	x						Winnipeg		Mid-West Paper
John Neville Paper Company, (11) Ottawa, Ontario	x	x							Neville Paper
Phillips Paper Co. Ltd., (12) Winnipeg, Manitoba	x								Phillips Paper
La Compagnie J. B. Rolland & fils, Montreal, P.Q.	x						Montreal	Quebec	J. B. Rolland
Schofield Paper Company Limited, St. John, N.B.							x	St. John	Schofield Paper
South, Davidson & Wright Limited, (13) Vancouver, B.C.							x	Vancouver	Victor Salteria & Son
									Smith, David & Wright

Name and Address of Merchant	Central Section Ontario	Quebec Sub-Section	Quebec Sub-Section	Maritime Section	Prairie Section	B. C. Section	Principal Place of Business (including warehouse)	Branch Warehouses Holding Fine Paper Stocks	Short Name Used in This Report
L.-P. Turgeon & Fils (14) Quebec, P.Q.	x	x					Quebec		Turgeon
United Paper Mills Limited, Toronto, Ontario	x						Hamilton		
Whyte-Hooke Papers Limited, (15)	x						Toronto	London	United Paper Mills
The Wilson-Munroe Company Limited, (16) Toronto, Ontario	x						Toronto		Whyte-Hooke
							Toronto	Montreal	Wilson-Munroe

(1) Incorporated in October 1935.
 (2) Successor in August 1946 to Buntin Reid Company Limited.
 (3) Successor in 1941 to Coast Paper Company Limited.

(4) Became members of C.P.T.A. and Ontario Sub-Section in 1937. Fine Papers (London) Limited is sole owner of Fine

Papers Hamilton Limited which was incorporated in September 1948.

(5) Successor in 1948 to W. J. Gage and Company, Limited. Represented at meetings of Prairie Section in 1935.

(6) Resigned from Q.F.P.C. in 1947.

(7) Successor in March 1949 to Hillier Paper Company which became a member in 1938.

(8) Was not a member of C.P.T.A. from 1937 to early 1943 but was a member of the Q.F.P.C. from its inception in 1938.

(9) Successor in March 1947 to T. B. Little Company, Limited. Related through shareholdings to Whyte-Hooke Papers Limited.

(10) Resigned from Q.F.P.C. in 1949.

(11) Successor in 1950 to Mid-West Paper Sales Limited.

(12) Established in business in 1940 and joined C.P.T.A. in that year.

(13) Successor in 1945 to Phillips Paper Company.

(14) Accepted as a member of the Prairie Sub-Section insofar as Alberta was concerned in March 1938.

(15) Resigned from Q.F.P.C. in 1949.

(16) Successor in January 1947 to Whyte-Hooke Paper Company, Limited. Related through shareholdings to T. B. Little Papers Limited.

(17) Not formally a member of C.P.T.A. during period January 1, 1935 to same time in 1936 but associated with Ontario

Fine Paper Council, which operated as Ontario Sub-Section, from November 1934.

All the firms named in Table VIII are also named in Table IX and were members of the C.P.T.A. in January 1935, unless it is otherwise indicated in the footnotes to Table IX. For some years, at least as far back as 1934, Rolland Paper Company Limited held membership in the C.P.T.A. and available records show that during this period it was represented at C.P.T.A., Central Section, Quebec Sub-Section and Quebec Fine Paper Council meetings. Apparently Rolland dropped its membership in the C.P.T.A. some time in 1948 when it disposed of its interest in a warehouse in Montreal from which it sold fine papers in the same way as did the ordinary paper merchant.

III. Arrangements Among Fine Paper Mills for Non-Competitive Prices

Arrangements to secure the establishment and maintenance of uniform prices and conditions of sale for comparable products of the fine paper mills have been made throughout the period for which information is available and from, at least, 1935. The price lists of the fine paper manufacturers in effect immediately prior to the removal of price controls in 1947 and at various periods since up to the time of this inquiry, show, in all essential respects, identity of prices and other conditions of sale for comparable grades of paper and also reveal that changes in prices in like amount have been made at the same time or by staggering within a brief period. That uniformity existed in prices announced to the trade was not denied by representatives of fine paper manufacturers, but it was contended that such uniformity was brought about by one manufacturer, usually the principal producer of a particular class, indicating the price he would announce and other manufacturers following such indication. It was also contended that the announced trade prices applied to only a part of the business of the manufacturer and that sales to some customers, particularly large buyers or those requiring special classes of paper, would be made at prices other than those contained in the announced trade lists. It was generally admitted that from time to time agreement had been reached among fine paper manufacturers interested in the production of certain classes of paper as to what were described as "ancillary" charges or other factors entering into the total charges to the buyer of paper, but such admissions did not extend to the common base mill prices. It is necessary, therefore, to examine the evidence in some detail in order to determine as clearly as possible the nature of arrangements among the fine paper manufacturers relating to prices and the manner in which such arrangements have operated.

In much of the evidence, fine paper manufacturers are referred to as "the mills" and this term, when used in this report, may be taken as having the same meaning unless otherwise indicated.

Copies of minutes of meetings of the Book and Writing Section for the period 1935 to 1948 were obtained during the investigation. These contain some references to special charges or conditions of sale, particularly in the minutes for earlier years, but references of this kind do not appear in recent years. E. H. Smith, president of Howard Smith since 1946 and previously vice-president, gave the following evidence in regard to minutes of the Book and Writing Section:

"Q. Up to 1939 there were various references to prices in the minutes of the book and writing section; prices for finishing differentials, glossing charges and that type of thing appeared; but there was no reference after 1939. What was the reason for that?

A. The association felt that price discussions of any kind were outside the scope of the association, so we stopped talking about them at the meetings.

...

- Q. It was the association that took the stand that these types of discussions were not to take place?
- A. That is right.
- Q. After 1939 were prices ever discussed at meetings of the book and writing section?
- A. Yes indeed.
- Q. They were discussed after?
- A. Yes.
- Q. Although they did not appear in the minutes?
- A. Not at meetings, no, not at meetings of the books and writing section; I am sorry.
- Q. They would be at meetings held afterwards?
- A. Subsequent, say at another time.
- Q. In other words they had to be divorced from the book and writing section, or you would adjourn?
- A. Move somewhere else, or sometimes we went at it but not at the book and writing section.
- Q. There would be a definite cleavage?
- A. That is right.
- Q. Sometimes you would stay on wherever you happened to be holding your meeting of the book and writing section?
- A. Sometimes we would sit around for fifteen minutes to half an hour or so, sometimes we would go out for lunch together or meet again in the afternoon."

(Evidence, pp. 1333,4)

(a) Pre-Control Period

The minutes of a meeting of the Book and Writing Section held on May 29, 1935 at Montreal contain one of the few instances when details of mill list prices were recorded in the minutes. The following are recorded as being represented at this meeting - Alliance, Eddy, Howard Smith, Provincial and Rolland. Under the heading "Re Mimeograph Paper", the following appears after certain references to listing of firms:

" . . .

Discussion arose regarding the Trade Practices covering the sale of mimeograph papers. Upon motion, duly proposed

and seconded it was agreed that the following conditions of sale should apply and that they be inserted in the minutes of the meeting and copies be made for the trade customs booklet."

The minutes then set out a schedule which was amended at a meeting on June 26, 1935 at which J. R. Booth Limited is shown as being represented in addition to the companies mentioned above. The reference in the minutes of the latter meeting reads as follows:

"MIMEOGRAPH PAPERS

CONDITION OF SALES:

CONVERTERS get $8\frac{1}{2} \times 11$ or $8\frac{1}{2} \times 14$ cut and wrapped 500's or banded 1000's at regular price as for 17×22 or 17×28 . (No charge for cutting in making quantity, minimum one ton, when and as made) One ton can be divided between two sizes, $8\frac{1}{2} \times 11$ or $8\frac{1}{2} \times 14$ Loyalty Discount. An extra charge of $.07\frac{1}{2}\%$ when cut to smaller size than $8\frac{1}{2} \times 11$ or $8\frac{1}{2} \times 14$.

MERCHANTS get the same conditions in the minimum quantity of 1 case of one size $8\frac{1}{2} \times 11$ or $8\frac{1}{2} \times 14$ (cut from paper in stock) L.&Q. discounts.

MACHINERY HOUSES

1. STANDARD MILL BRANDS, watermarked or unwatermarked, wove or laid:

Mill list price without discount

Sizes 17×22 - 17×28 \$8.00 per cwt.
" $8\frac{1}{2} \times 11$ - $8\frac{1}{2} \times 14$ 8.15 "

The price of \$8.15 arrived at as follows:

8.00 less .12 $\frac{1}{2}\%$ non-trimming
.12 $\frac{1}{2}\%$ non-wrapping
plus .40¢ cutting charge.

2. PRIVATE WATERMARK Only, minimum making orders (1 ton):

\$7.60 for flats 17×22 - 17×28

7.75 " $8\frac{1}{2} \times 11$ - $8\frac{1}{2} \times 14$

and an extra .07 $\frac{1}{2}\%$ when cut to smaller sizes.

All orders are acceptable for not less than three tons, one shipment. Split shipments if desired to more than one branch of a machinery house must leave the mill on the same date to be considered as one delivery.

Minimum quantity to any one point not less than 500 lbs. that is to say, we will not take, make and hold orders for a 3 ton lot for a machinery house, ship part and hold part.

OTHER DIRECT ACCOUNTS

To direct accounts other than converters, merchants and machinery houses

Three (3) ton shipments mill brand, private marks or plain; mill list price without discount

sizes 17x22)
17x28) \$8.00 per 100#

8½x11)
8½x14) \$8.15 per 100#

CONDITION OF SALES
RE SUBSTANCE, BASIS AND COLORS OF MIMEOGRAPH PAPERS

1. Minimum basis 18 lb. Lighter substance cannot be supplied for regular stock.
2. 18 lb. basis only to be carried in stock.
3. Weights heavier than 18 lb. can be made to order only.
Minimum 1 ton 1 size.
4. MIMEOGRAPH 16 LB. can be supplied in 3 ton quantities, white only, for special orders of mill runs for shipment direct to a consumer. The order may be divided in sizes.

Colours will not be supplied.

It is distinctly understood that the consumer receiving such stock must use same himself, that is, it is not for resale.

It is further understood that 16 lb. substance is not for merchant resale off their floors, but direct to consumer for consumer use only, the name of the consumer to be supplied.

. . . "

In 1935, which was some years before Don Valley was acquired by Alliance, negotiations were carried on among Howard Smith, Don Valley and Eddy to secure agreement on the prices of various grades of paper known as cover and bristol. At this time N. E. Wainwright was president of Don Valley and G. A. Davidson was sales manager of Howard Smith. On November 13, 1935 Mr. Davidson wrote to E. H. Smith in regard to the negotiations and his inter-office letter contained the following:

"Reference your letter of October 30th and in connection with our verbal conversation, Mr. Wainwright and the writer went over the schedule as previously submitted under date of October 16th, and in view of American competition this list of prices has been revised, memo of which is attached.

. . .

The memo of prices I consider to be in line and competitive with foreign product with the proposed changes that we have in mind in regard to qualities etc. There is just one exception to this and that is the price of Thorncliffe and Derby. Mr. Wainwright feels that this should not be higher than 9 $\frac{1}{2}$. You will notice it carries a mark of interrogation. You will please let me know if this whole is satisfactory to you and I can then confirm it to Mr. Wainwright and we will conclude our discussions with the Eddy Company. You will observe we have placed their Bristol at the same price as Maple Leaf, which at the present time is being sold at 8 $\frac{3}{4}$."

(HS 54-4)⁽¹⁾

Negotiations were continued and on November 22, 1935 Mr. Wainwright wrote to Mr. Smith, with reference to a letter from the latter of November 21, listing prices for various grades, "I am in almost complete agreement with you, with the exception of a few minor changes, as follows" (HS 34-3L).

Mr. Wainwright then dealt with several matters of prices and delivery points and at the conclusion of his letter suggested a price for a grade of paper known as Post Card. Mr. Smith replied on November 23 as follows:

"In accordance with our telephone conversations of yesterday and to-day, your letter of the 22nd regarding the above noted, is in entire accord with my understanding.

We are naming Toronto, Hamilton, London, Ottawa, Montreal and Quebec City as delivery points on Covers and Bristols, and are equalizing freight on the nearest delivery point for any outside points.

Regarding the Falcon Index, I understand that you have now received my letter of yesterday's date regarding this and that the price I suggest is satisfactory.

In connection with Post Card, I told you on the telephone this morning that I am a little disturbed at changing this price without consulting with Eddy. I understand that you are getting in touch with either Mr. Taylor or Mr. MacPherson, and in the event of the new price not being satisfactory to them, we would be quite willing to withdraw it."

(HS 54-3J)

(1) The letters "HS" in the reference number of this document mean that it was taken from the files of Howard Smith. Other letters have the same significance for other mills, merchants, etc. The table that appears in Appendix III shows the names of the mills, merchants, etc. with whom the different sets of letters used in the document references correspond.

Agreement among the three mills on the prices of covers and bristols involved agreement on the extent of the difference in prices between certain brands of paper. In connection with one of Howard Smith's brands of bristol, named Partridge, for which Howard Smith had proposed a price of \$7.25, Mr. Wainwright pointed out to Mr. Smith in a telegram (HS 54-3G) and a letter of November 29 that it had been intended not to reduce the price of this brand so that Eddy would not reduce the price on one of its brands and he suggested a price of \$7.75. In a postscript to his letter, Mr. Wainwright wrote:

"We have since received confirmation from you, and also from Eddy that the price mentioned above is mutually satisfactory. Also, Eddy, of course, agree to maintain the agreed set-up as mentioned in your original letter."

(HS 54-3E)

On the same day, November 29, E. H. Smith wrote to Mr. Wainwright:

"Re: Bristol Prices.

With reference to your telegram of today's date and our two telephone conversations regarding the above noted, Mr. Clarke of the E. B. Eddy Company, telephoned me regarding these Bristol prices, and after some discussion agreed to set up prices on Eddy Bristol as follows:

\$8.25 delivered for Ontario and Quebec.
\$8.00 Mill for the Prairies and Maritimes.
\$7.75 Mill for British Columbia.

This was conditional upon our changing our price on Partridge to \$7.75 delivered for Ontario and Quebec and \$7.50 Mill to other points. I agreed to do this and have so advised the trade.

. . . "

(HS 54-3F)

In referring to the agreements on prices of covers and bristols in a letter of December 3, 1935 to E. H. Smith, Mr. Wainwright wrote that in view of the relationship between the prices of certain lines made by both Howard Smith and Don Valley, merchants in Montreal might not be disposed to carry both lines. His letter went on, "Of course, we agreed to these prices and will adhere to them, but if we suffer a considerable loss of business as a result we will naturally desire to take the matter up with you again. . . ." (HS 54-3D).

At some time prior to the war the procedure was adopted of compiling a record of the prices and conditions of sale for the principal lines of book and writing paper which were matters of agreement among the fine paper mills producing such lines. This compilation is referred to in

the documentary evidence as the "Book and Writing Schedule" or "Book and Writing Price Schedule". Only one copy of the schedule was found during the course of the inquiry and this bears the title "Book and Writing Schedule" and the date November 29, 1938 (EEE 42-6). The documentary evidence, however, contains references to such a schedule as early as 1936. In an inter-office letter to G. A. Davidson, dated June 2, 1936 and entitled "Re: Book and Writing Price Schedule", E. H. Smith stated that he had had the new Book and Writing Schedule checked very carefully with the company's price list and he then commented on a number of instances which did not conform. Referring to one item, scribbler cover, he wrote:

" . . . I may say that according to my records, the prices shown on our price sheets were agreed upon on Dec. 16th last. I have a note to the effect that on that date, it was decided that in less than carload quantities, Scribbler Cover would take the price of No. 4 Book, and this is the basis on which our prices are set."

His letter concluded:

"Will you please look into these matters and let me know whether our prices should be changed."

(HS 8-15G)

Mr. Davidson replied to Mr. Smith on June 16, 1936, the first part of his letter reading as follows:

"Reference your letter of June 2nd to which you have not received a reply, there are several points which you bring to my notice that will require to come under review with Mr. Ecclestone and Mr. Jewett. There are certain phases of this which while understood by the committee may perhaps require to be clarified.

Now in regard to Alkali Proof, as mentioned on page 6, these are more or less in the nature of contracts and the prices appearing in the Blue Book do not govern. This is understood, that prices so listed are generally applicable for small lots and it was not thought necessary to table particulars in regard to contracts in which we and Provincial Mills are particularly interested. This may not be satisfactory, but it was left that way at the time."

(HS 8-15D)

It may be noted that R. H. Ecclestone has been sales manager of Rolland since 1928 or 1929 and that A. P. Jewett was for many years associated with the sales department of Provincial and represented this company at Book and Writing Section meetings.

Mr. Davidson distinguished in his reply on June 16 between what may be termed general mill prices and special prices to certain customers under conditions permitting departures from the agreed prices. The matter of special prices at times led to some questioning among the mills as to whether price arrangements were being maintained, but since 1935 at least, such questioning never appears to have led to any serious disturbance of the general agreements on prices. On occasion, special prices would be agreed upon by the mills interested in the particular class of business and in other cases there appears to have been recognition that certain accounts were the customers of a particular mill and that no offers would be made to such accounts at prices lower than those of the mill enjoying the business. In connection with the latter practice, one mill would endeavour to inform itself as to the special prices of another mill in order to avoid the possibility of under-cutting. Various examples of the foregoing situations are disclosed in the evidence and illustrations are given later in this report.

One reason for the exchange of information as to special prices was indicated in an inter-office letter which E. H. Smith wrote to G. A. Davidson on July 13, 1936 in regard to the Book and Writing Price Schedule:

"With reference to your letter of June 16th, I have been giving this matter a little thought and it seems to me that we should either withdraw from any agreement on the grades covered by this schedule, or else make it clear to Eddy that the price on such grades as Alkali Proof does not cover the contract tonnage.

If we do not make this perfectly clear to Eddys, they will probably find out eventually that Lever Bros. have a better price, and then use that as an excuse to cut a price on some other grades some place else.

I am very definitely of the opinion that this point should be clarified."

(HS 8-15C)

In an inter-office letter of September 10, 1936 to E. H. Smith, Mr. Davidson wrote:

"Re: Book & Writing Price Schedule

In reference to yours of the 9th and in re yours of July 13th, my recollection is that I gave you a verbal report in this connection to the effect that I had taken this matter under review with Clarke re Alkali Proof, advising him of our prices in re Reid Press and Proctor & Gamble.

In connection with Lever Bros., I informed him that we had a contract which did not expire until December 31st

and when this contract was open for renewal, we would give him such information as was necessary in regard to the prices we were quoting.

We believe that this is what you desire."

(HS 8-15A)

E. Clarke was at this time sales secretary of Eddy.

Another example of the exchange of information when special prices were arranged is found in correspondence between the Montreal and Winnipeg offices of Howard Smith in 1936 in regard to the prices to be charged certain publishers. H. S. Ramsay of Howard Smith's Winnipeg office had been informed of a new scale of prices for one publisher and in a letter of January 22, 1936 to E. H. Smith suggested that similar prices should be offered to another publisher (HS 54-3H). This letter has a marginal note apparently written by H. Crabtree, then president of Howard Smith, as it bears the initials "H.C.", to the effect that he would be agreeable only if the arrangement were made with the knowledge and consent of Provincial. Replying to Mr. Ramsay on February 1, 1936, Mr. Smith indicated that the matter had been discussed with Provincial as he wrote, ". . . Mr. Crabtree and I have given this matter very careful consideration and we have also discussed it with Mr. Jewett" (HSW 28-12). He went on to say that the prices should apply only on carload purchases.

At a meeting of the Book and Writing Section held on October 28, 1936, at which Eddy, Howard Smith, Provincial and Rolland were represented, the matter of litho papers was among the subjects dealt with. The minutes of the meeting contain the following:

" . . .

(4) LITHO PAPERS:

'The question of Litho Papers having been left in abeyance from the meeting held Jan. 30th, 1936, the merchants again press for solution of the conditions presently applying to the sale of Litho papers on the basis of a standard price, subject to Loyalty and Quantity Discounts to merchants under the same conditions as apply to Book Papers.'

It was decided that the mills would sell Litho papers at regular prices less Loyalty Discount only each mill reserving the right to confine its sales and to refuse to sell through the merchants.

" . . ."

In a letter of November 6, 1936, to Howard Smith, A. E. Cadman

wrote as secretary:

"The matter of Litho Paper which was dealt with at the last meeting of the Section left out some important points which need better defining.

Enclosed is a revised sheet made up to cover the item. Will you please give this your consideration and advise me if it meets your approval or if there are any errors or omissions.

When the approval of all concerned has been received a new sheet will be issued.

A reply by return mail will be appreciated."

(HS 8-9)

The schedule enclosed with the letter set out the regional prices for certain classes of litho label paper and also the conditions of sale.

The following notice, signed A. E. Cadman, was found in the files of Howard Smith. It is inscribed "Effective November 24th 1936", which was the date of a meeting of the Book and Writing Section at which Alliance, Eddy, Howard Smith, Provincial and Rolland were represented, but the minutes contain no reference to the price changes listed in the notice:

"Effective November 24th 1936

BOOK AND WRITING GRADES

EXERCISE BOOK PAPER; guaranteed till December 1st 1937

All prices increased \$5.00 per ton.

SPECIAL VELLUM

All prices increased \$5.00 per ton.

ENVELOPE PAPERS

All prices increased \$5.00 per ton
except manilla and duplex

EMBOSSSED LINEN

Increased \$10.00 per ton

FEATHERWEIGHT

Ontario & Quebec - prices delivered

Featherweight. White \$7.50 India \$8.00

Maritimes & Prairies . . . f.o.b.mill

Featherweight. White 7.25 India 7.75

Vancouver . . . f.o.b.mill

Featherweight. White 6.75 India 7.25

- - - - -

All prices effective immediately

All other prices remain firm for delivery up to January 31st, 1937

A. E. Cadman"

(HS 8-15J)

A further notice, dated December 3, 1936, states with reference to feather-weight:

"Please cancel the sheet sent out November 24th
setting out new prices for Featherweight.

Prices on Featherweight remain unchanged as set
out on page 11, viz:-

" . . . "

(HS 8-3)

Agreement among the mills on revision of prices in the Schedule
appears from correspondence between Provincial and Howard Smith. On Nov-
ember 27, 1936 A. P. Jewett of Provincial wrote to E. H. Smith of Howard
Smith:

"I think I have discovered something that we over-
looked the other day.

Our price for Cartridge Drawing on page 21C is \$7.75
per Cwt. untrimmed and in unprotected bundles and this
price was arrived at by taking the price for No. 2 Cartridge
Envelope and deducting the case charge and the extra 5%
Envelope Discount. Consequently, as these two grades go
hand in hand it seems to me that we should have advanced
our price of Cartridge Drawing by 25¢ per Cwt.

Will you please consider this and, if you agree, take the matter up with the other mills for immediate action."

(HS 22-12B)

In a letter dated December 1, E. H. Smith replied:

"Re: Cartridge Drawing.

I imagine you received in to-day's mail from Mr. Cadman, revised page 21-c, changing this price to 8¢. This, of course, is in accordance with your letter to me of Nov. 27th. I checked this with the other Mills and they are both agreeable.

Thank you very much for bringing this up."

(HS 22-12A)

A distinction between accounts which were open to any mill to solicit competitively and those which were regarded as protected is indicated in an inter-office communication of December 17, 1936 to H. Crabtree and E. H. Smith of Howard Smith and written apparently by R. B. Hall. The letter refers to discussion with Mr. Jewett (Provincial) in regard to the possibility of Howard Smith sharing the business of a publisher with Provincial and concludes:

"Strictly speaking, our position is quite clear. This account does not appear on either the Provincial list or our own list of accounts that are to be protected. It is open business, available to whichever mill is successful in securing it. Whether we do, or do not secure a share of this business, I feel sure it will not in any way affect the effort that Provincial put forward to get all the business they possibly can."

(HS 49-1C)

Discussion among the mills in regard to an increase in prices is indicated in an inter-office communication of Howard Smith addressed to H. Crabtree and apparently written by E. H. Smith, as the copy bears his initials. The first part of this letter, which is dated March 10, 1937, reads as follows:

"Re: Prices.

I had a session with Rolland a day or so ago regarding prices, and I was pleasantly surprised to find Mr. Jean Rolland much more reasonable than I had expected.

After considerable discussion, we finally got down to

the point where he recommended the following increases:

No. 4 Bond - up to \$10.00 per ton.
Nos. 1, 2, 3 and 5 Bonds, no change.
Nos. 6 and 7 Bonds, Envelope Papers, Stationery,
and also all sulphite grades excepting, of
course, Book, - up \$5.00 a ton.

These increases sound all right to me. No. 4 Bond will certainly stand 1/2¢, as the American price on a 25% rag content bond is \$13.50 less 3%. This would lay into Canada at about \$16.50 and our proposed new price on No. 4 would be 15¢ less discounts. Further, Genoa is not a particularly profitable line at the present price.

No. 5 Bond has been left where it is because Hammermill is still selling for \$7.65 in the States, and our price on Progress of \$10.75 less discounts, is plenty high enough. The \$5.00 increase on the sulphite grades is just about comparable with increases in pulp costs.

• • •

The Book and Writing meeting which was originally called for the 16th has been postponed for the 23rd because Mr. Jewett will not be back until the 18th or 19th, and it is possible that it may be postponed a further few days. I think this works in all right, as I do not like the idea of having a meeting in the middle of the month and deciding at that meeting on prices which will not become effective until the end of the month.

I anticipate going to Toronto next week and will try to see Mr. Duncan and Mr. Wainwright while there, and discuss their respective grades with them.

I have no particular thoughts in mind in regard to Book Paper, but in regard to Cover and Bristol, I think that we could well put up prices \$5.00 a ton. Blottings, I think should probably remain as they are, although we might be able to increase them \$5.00 as well as the other grades.

• • • "

(HS 28-4)

Mr. Duncan was at this time president of Provincial and Mr. Wainwright was president of Don Valley.

A meeting of the Book and Writing Section was held in Montreal on March 23, 1937 at which Alliance, Eddy, Howard Smith, Provincial and Rolland were represented, but the minutes contain no reference to mill prices of paper. A copy of minutes of a meeting of a merchants' committee

and representatives of the book and writing mills on March 23, 1937 was found in the files of Howard Smith. These minutes record the following with respect to quotations of prices:

"On the matter of price changes and quotations the following method of procedure was drawn up and given to the merchants.

'March 23rd, 1937

'Prices are subject to change without notice and all orders to be subject to price at which booked must specify a shipping date not more than 30 days in advance.

. . ."

(HS 7-18)

A notice signed A. E. Cadman and dated April 2, 1937 sets out an increase in the price of exercise book paper as follows:

"Price of Exercise Book Paper is advanced by $\frac{1}{4}$ cent per lb. (\$5 per ton), effective immediately.

It is understood that the new price will be charged to all customers but that firms which are interested in school contracts may be advised that if orders are marked 'to apply on School Contracts' the old price will apply."

(HS 7-15)

A letter of June 10, 1937 from A. E. Cadman to E. H. Smith refers to a new Book and Writing Schedule. This letter reads:

"Enclosed is a new Book and Writing Schedule. Will you please take from it the necessary items and return this copy to me at your earliest convenience."

(HS 7-12B)

A marginal hand-written note on this letter sets out the date of the schedule as May 27, 1937. Mr. Smith's secretary replied to Mr. Cadman in a letter of June 17, 1937:

"I am returning herewith the copy of the new Book and Writing Schedule which you sent Mr. E. H. Smith with your letter of June 10th. I have made the necessary corrections."

(HS 7-12A)

In 1938 fine paper prices became subject to downward pressure resulting from depressed pulp and paper prices in other countries, including the United States. An illustration is afforded by an inter-office letter written on June 14, 1938 by E. H. Smith to W. H. Aird of Howard Smith's Toronto office:

"Re: Burt Business Forms.

Mr. Caesar of the E. B. Eddy Co. just called me up to say that he thought they might find it necessary to revise their price to somebody in competition with Burts; that he wished to discuss the matter with me to get our views.

I told him the prices that we were charging Burts and also that we had been able to satisfy them to maintain the present prices by selling them on the idea that a revision in their price would affect the whole paper market.

Mr. Caesar was not quite sure what action he would take but he did promise to let me know before doing anything.

He expects to be in Toronto next week at the Superintendents' Convention, when he may discuss the matter with Mr. Crabtree. I told him that if he was unable to get hold of Mr. Crabtree that you would be available, and that you were thoroughly familiar with all the details of this account.

While he did not promise, he intimated that he might get in touch with you if he could not reach Mr. Crabtree.

In any case, you had better keep your eyes open as we certainly do not want Richardson, Bond & Wright to get any better deal than we give Burt."

(HS 46-2C)

The following is an extract from a letter dated June 29, 1938 from Mr. Aird to Mr. Smith on the same subject:

"Mr. Caesar mentioned to me last week at the Royal York that if we stood pat on our prices to Burts that they would on their prices to their customers. I, therefore, interviewed Mr. Clarke and again our customers are willing to play along with us for the third quarter on the same basis as during the second quarter and I cannot express too strongly the very fair and friendly attitude of Mr. Clarke on the

question of prices to apply on their contract, which is a most important one to them and to us.

Mr. Hobson will follow the matter up officially with Mr. Cuthbertson immediately."

(HS 46-2A)

This letter was written one day after the Book and Writing Section held a meeting in Ottawa. On the same day as the meeting, which was attended by Alliance, Eddy, Howard Smith, Provincial and Rolland, the merchants were informed that the mills anticipated no price reductions "before September 1st, if then" (HS 14-6D). Apparently the mills were able to hold their price line until September 1, 1938, for on August 31, 1948 A. E. Cadman sent out a notice listing reductions in prices for certain grades of bond, ledger, writing, railway tariff, offset and mimeograph papers. The reduction given for bond and ledger papers was \$12.00 per ton, and was effective on September 1, as were the other reductions (HS 14-7).

Another copy of this notice, also found in Howard Smith's files, has the hand-written note, "This was sent out following our meeting on Aug. 28." (HS 14-6C). There are no minutes of a meeting of the Book and Writing Section for August 28, 1938, which was a Sunday, but there are minutes of a meeting on Tuesday, August 30, 1938, which do not contain any reference to reductions in mill prices.

Apparently the new prices were put into effect as the same list of price reductions and the same effective date are shown in a notice on the letterhead of Howard Smith (HS 30-14), which gives some of the company's designations for the classes of paper described in trade terms in the notice of A. E. Cadman.

That the reductions in prices were arranged among the interested mills is indicated in correspondence between Howard Smith and Eddy in November 1938. On November 10 E. H. Smith wrote to J. F. Taylor of the Eddy company and, after referring to a break in sulphite prices in the United States, said:

" . . . "

This, of course, brings forcibly to our attention the question of what we are going to do with our prices, and while the next Book and Writing Meeting is a little way off yet, it seems to me we should give some consideration to the matter with a view to crystallizing our own ideas.

. . . "

(EBC 77-1A)

Mr. Taylor replied on November 12, 1938 and said, in part:

"We quite agree with you, in view of the break in sulphite bond prices in the U.S.A. and to importations, that the question is what are we going to do about prices. You will doubtless remember that when we made the last reduction of \$12.00 per ton, that most of us were in favor of a greater reduction, if I remember correctly of \$22.00 per ton, but owing to Mr. Rolland's stand, and in the hopes and expectation that business would get better in the U.S.A., we decided on a \$12.00 reduction."

(HS 28-2E)

In a memorandum of November 18, 1938 to W. S. Kidd, then general manager of Eddy, J. F. Taylor, sales director of the company, referred to discussions between Eddy and Don Valley on the question of reducing the price of Mohawk bristol by \$5.00 per ton and said, in part:

"After discussing the situation very fully, I approved of the reduction and on the understanding, as suggested by Mr. Wainwright, that the fine paper merchants should also make a reduction of 10% in their mark up."

(EBE 82-1)

He then went on to say that he had called the secretary of the Canadian Paper Trade Association who suggested that no change be made and Mr. Taylor concluded this point by saying, "In the meantime, nothing is to be done by Don Valley or ourselves regarding making the reduction referred to."

The next meeting of the Book and Writing Section following E. H. Smith's letter of November 10, 1938, referred to above, was held on November 29 and, although the minutes contain no reference to a general price change, it is evident that decisions as to prices were taken as of that date. An Eddy office memorandum with the date December 3, 1938 lists a number of grades of sulphite bonds, mimeograph, envelope, exercise, book, litho, offset, etc., and shows price reductions as of November 29 ranging from \$2.00 to \$15.00 per ton (EBE 42-1). On November 30, 1938 A. P. Jewett of Provincial wrote the following letter to J. F. Taylor of Eddy:

"With regard to miscellaneous Groundwood lines in which we are both interested and which were not discussed yesterday.

We suggest that we leave our present prices unchanged for these grades, including our Kent Mimeo, Halftone, Colored Groundwood Poster, Groundwood

Catalogue, etc. etc. We shall be glad to have you concur in this.

I might add that the writer has to-day told Ivan Moffitt of the Canadian Paper Trade Association that it was unlikely that there would be any alteration in the schedule of these lines."

(EBE 81-1A)

An Eddy memorandum, dated January 4, 1939, shows that in this period of generally declining prices there had been discussions among the mills for the purpose of maintaining a common price on road map sulphite:

"ROAD MAP SULPHITE"

The price on this grade is \$7.35 per cwt. No reduction was made at the Meeting held on November 29th, 1938, when prices on Sulphite grades were reduced.

In talking to Mr. Geo. Davidson of the Howard Smith Paper Mills on November 9th, 1938, he advised me they were quoting on the basis of the \$7.35 price, the quotation to stand firm to March 31st, 1939.

January 4th, 1939.

Mr. Taylor asked me to call up Ned Smith and explain that since my conversation with Geo. Davidson, referred to above, there had been a drastic reduction in the prices of Sulphite Papers, and to intimate we would favour a reduction of \$5.00 per ton. I did this and Mr. Smith stated all the Mills were interested - Eddy's, Provincial, Rolland and Howard Smith - and that he would prefer to discuss the matter at the next meeting to be called, probably on January 17th, but that in the meantime, he would check up to see that all Mills are holding firm to the \$7.35 price until then."

(EBE 64-22)

Agreement between Eddy and Don Valley on new prices for certain papers in which both companies were particularly interested is indicated in a letter of November 30, 1938 from N. E. Wainwright of Don Valley to J. F. Taylor of Eddy. Mr. Wainwright wrote in regard to ticket stock, postcard and bristol papers for which he listed prices, prefacing the list as follows:

"After speaking with you over the telephone we are agreed on the following prices:-"

Mr. Wainwright's letter concluded:

"Tag Prices - I have not been able at the present time to get in touch with Mr. Pauline of Alliance, but as soon as I can do so I will advise you."

(EBC 70-4A)

Further indication that general agreement on the prices of book and writing papers was reached on November 29, 1938 is given by the fact that the copy of the Book and Writing Schedule, to which reference has already been made, bears the date November 29, 1938. This document consists of 41 pages listing prices or conditions of sale for various classes of bond, ledger, writing and book papers and related lines and two index pages. Details of discounts common among the mills, basis of delivered prices, classification of certain customers and other matters of common arrangement were also included in this copy of the Book and Writing Schedule. In some cases, such as sulphite bonds and ledger papers, the brand names of the manufacturers are grouped under the particular grade of paper and one price shown in the classifications for colour or territory. In other cases, such as that of exercise book paper, a schedule of prices and conditions of sale is set out without brand descriptions.

Reference has already been made to revisions being made in particular pages of the Book and Writing Schedule. Notices of such revisions appear to have resulted from decisions by the mills to change the prices or conditions of sale applying to a particular paper or from the detection of errors. An example of the latter is the following notice signed A. E. Cadman and dated December 7, 1938:

"NOTES ON B. & W. Schedule

On page 31 'Cartridge Drawing'
the price for Regina & Saskatoon should read --\$9.10
not \$9.15 as given
The price is \$1.00 above the Ontario & Quebec price.

Page 5

Please delete the line 'no quantity discount'
Writing Manilla was made subject to Quantity Discount on
June 1st 1938.

This should also be corrected on page 35 where the present list specifically excludes manilla writing."

(EBC 42-4)

The conditions in the fine paper industry in 1937 and 1938 were reviewed by R. H. Ecclestone in the following manner, when he made his report as chairman of the Book and Writing Section at the annual meeting of the C.P.P.A. in January, 1939:

"You will recall that in 1937 the fine paper mills enjoyed advancing prices and stable conditions for the first seven months, followed by an abrupt change when pulp prices broke. Due to the fact that the mills did not take full advantage of the rising pulp prices but advanced prices very conservatively, prices were maintained throughout the remaining months of 1937 and the mills entered the new year with optimism and the feeling that they could hope for improvement in the weakened market situation. However, as the months of the new year unfolded they were doomed to disappointment and instead of improvement, there were further pulp price reductions and very depressed paper prices existed in other countries, particularly in United States. Canadian prices had to be reduced and the mills finished the year with little hope for immediate improvement. Despite the fact, however, that the twelve months produced a buyers' market condition, and foreign competition was very keen, I think we can say with some satisfaction that the mills weathered the storm in a very satisfactory manner."

(Proceedings Twenty-Sixth Annual Meeting
Canadian Pulp and Paper Association,
Montreal, January 27, 1939 - p. 27)

Bradford Ellison became general sales manager of Eddy on July 1, 1939. At a meeting of the Book and Writing Section in Montreal on September 13, 1939 which Mr. Ellison attended and at which Alliance, Howard Smith, Provincial and Rolland were also represented, some question appears to have arisen as to the policy of Eddy, as Mr. Ellison wrote the following letter to officers of the other companies the next day:

"Returning to this office today, under the sting of humiliation and embarrassment which I experienced yesterday in Montreal, at a meeting of the Book & Writing Section, I took the first opportunity to examine our conduct of sales as it has to do with Association prices.

I found variations and infractions. Upon demanding an explanation, I was informed that they were justified by similar competitors' infractions and because of so called 'open accounts'. I immediately phoned one of the other Mills for an explanation of 'open accounts', and asked how there could be 'open accounts' when the Association Schedules made no provision for same. I was informed by this competitive Mill that there was quite a list of accounts considered as 'open accounts', and to whom infractions of schedule were commonly made.

After obtaining this information, I now write you this letter to request that you furnish me in courtesy and fairness, and as a fellow member of the Association, a full and complete list of all accounts which you consider as 'open accounts', and to whom you extend any infractions, deviations, or concessions in prices, conditions, or terms, from the Association Schedules. This request I feel is entirely justified if for no other reason than to enable me to protect myself against such an experience as I went through at the Book & Writing Section meeting yesterday.

I understand that such a list as I request has never been filed by the fellow members of the Book & Writing Section or by the members of the other Sections of the Association, nor has such a list ever been filed, I understand, with the Secretary of the several Sections of the Association.

. . ."

(EBC 75-1)

Mr. Ellison went on to stress that if he was expected to "play ball", he was entitled to a complete list of deviations from the schedules, and to suggest that such lists be filed by all companies with the association secretary and be open to inspection.

Eddy's copy of this letter has the following handwritten note:

"Mr. Duncan [Provincial] phoned at 4 p.m. 15/9/39 in reply stating he was tearing my letter up and did not care to furnish such a list."

J. P. Rolland, vice-president of Rolland replied to the effect that some accounts, due to conditions going back many years, were receiving concessions by way of quantity prices for less than quantity orders and expressed willingness to list such accounts, on behalf of his firm, with the secretary if "you and other members of the association decide that it would be a good idea" (EBC 75-2).

E. H. Smith of Howard Smith replied on September 16:

"First of all, I want to thank you very much indeed for the offer of co-operation contained in your letter of Sept. 14th, and I want to assure you that so far as our Company is concerned, and this includes Canada Paper Company, we are willing to co-operate with you to the very fullest extent. I do not know what the attitude of the other mills in the Section may be, although I am inclined to believe that they will be just as glad to co-

operate as we are, but regardless of what action they may wish to take, we are definitely willing to lay all our cards on the table with you provided, of course, that you will do the same with us.

There are, to my knowledge, quite a lot of infractions in the Book and Writing Section, with most of which I think your Company is familiar, and there are probably some infractions of which I know nothing. For instance, certain envelope accounts are sold at the carload price regardless of quantity. I think there is a clear cut list of these accounts with which everyone is familiar. The same thing applies to certain purchasers of exercise book paper.

All the mills in the Book and Writing Section have a certain number of what are known as 'direct accounts'. These accounts are generally large printers, lithographers or stationers, who, for one reason or another have, over a period of many years, been allowed to buy bond papers direct from the Mill in quantities less than those specified under the 2 and 3 ton arrangement. This situation is well known to all mills and to the merchants as well, and as a matter of fact, some few years ago, each of the mills gave a list of their accounts to the Secretary of the Book and Writing Section, who in turn passed the list on to the Secretary of the Canadian Paper Trade Association.

So far as I know, no mill or merchant has ever seen the complete list but we are at liberty to ask the Secretary of the Book and Writing Section whether any specific account appears on the list.

As a matter of fact, a year or so ago, I worked out a scheme to get rid of these accounts, but this scheme fell through due to a luke-warm attitude on the part of some of the mills and to an absolute refusal by your Company.

Another thing is that publishers of magazines are generally regarded as open accounts. Most of these accounts are catered to by Provincial or ourselves and each Company knows the accounts serviced by the other. We would not quote one of Provincial's accounts without checking the price with them and they do the same insofar as our accounts are concerned.

Now while, as I stated above, I am entirely willing to play ball with you, I honestly do not believe that this matter can be handled by correspondence. It seems to me that the only thing to do is to get it lined up for

an open discussion at a meeting, and I will gladly come to such a meeting prepared to give any information regarding special accounts and infractions of the regulations generally, insofar as our Company is concerned.

If, in the meantime, you would like to go into the matter with me, let me know a few days in advance so that I can collect the necessary data, and I will willingly go into it with you at any time.

There is just one other word I would like to add and that is, that I honestly do not see why you should have felt humiliated or embarrassed at the last meeting. The question that was brought up had been done long before you had any connection with your Company's sales policy; you came across with a definite answer and I, personally, feel very grateful for the frank way in which you answered the question."

(EBC 75-3)

It is evident from this correspondence that departures from schedule prices were regarded as exceptions to the common prices agreed among the mills and that such deviations were made on a basis or under conditions recognized by the mills and a matter of understanding among them.

A change in the system of pricing book papers, so as to establish a scale of differential quantity prices, was decided on by the mills in 1939 and put into effect when the prices of fine papers were advanced in January 1940. The system in use up to this time had been a common mill price from which certain quantity discounts were provided in specified circumstances. On May 3, 1939 A. E. Cadman wrote as follows to E. H. Smith:

"At the last meeting of the Book and Writing Section, Mr. Jewett undertook to prepare a suggested set-up for book papers along the lines of the set-up adopted by the Coated Paper Mills.

A copy of this suggested set-up is enclosed herewith and this matter will be placed on the agenda for the next meeting of the Section."

(HS 40-2)

The memorandum enclosed set out two scales of prices which were described "Prices to Merchants Only" and "Prices On All Sales Other Than to Merchants" (HS 40-2). Mr. Jewett described the proposal as a suggestion only and it was modified as the discussions proceeded. By December 1939 the basis of the new arrangement for prices of book paper appears to have been decided upon. In an inter-office letter of

December 11, 1939 to W. H. Aird and G. A. Davidson, E. H. Smith wrote that he had checked one point with Mr. Jewett and that in view of the explanation the book paper set-up appeared to be on a satisfactory basis (HS 40-1A). Some handwritten notes filed with the copy of the foregoing letter appear to cover matters discussed by Mr. Smith with Mr. Jewett. These notes record that the book set-up is "OK" with Howard Smith. Under the heading "Prices generally" the following note appears:

"Provincial consider \$10/ton likely but appear quite willing to consider less."

(HS 40-1A)

A notice of Howard Smith dated December 29, 1939 lists increases on various classes of fine paper effective January 2, 1940 (HSW 31-5).

The introduction of the new price basis for book paper is described as follows in a memorandum dated August 4, 1941 prepared by J. L. Patenaude of Howard Smith:

"At the beginning of 1940 a new price set-up was established for Book, Offset and Text Papers.

The system established then was on a double price basis. Merchants' prices were established in three brackets, namely, a price for one ton, five tons and eighteen tons.

. . .

However, the system was found to be cumbersome in that two separate prices had to be referred to all the time and considerable difficulty was experienced in handling differentials.

* In July 1940 the system was devised of applying discounts to the Trade price when the prices were to apply on sales to Merchants.

. . ."

(HS 101-7E)

The further change in the system of prices for book paper made in July 1940 took place in connection with a general increase in the price of fine papers. A meeting of the Book and Writing Section was held on June 25, 1940 at which Eddy, Howard Smith, Provincial and Rolland were represented. On June 26, 1940 G. A. Davidson of Howard Smith sent a confidential memorandum to H. S. Ramsay of Howard Smith's Winnipeg office stating he was enclosing a list of "price increases which will become effective July 22nd" (HSW 31-7A,B). Although the amount of the increase was shown for various writing papers, the list

of book papers was followed by the note "new set up".

With reference to the same matter, A. P. Jewett of Provincial wrote to Mr. Ellison of Eddy on June 27, 1940:

"As discussed at the Meeting of the Book and Writing Section the other day, I have seen Ivan Moffitt and asked him to figure out the prices to go under column 'A' in the new Book Paper schedule and this he has done. (1)

..... (EBC 58-14C)

The manner in which the new structure of prices for book paper would be applied was the subject of a letter from E. Clarke of Eddy to E. H. Smith on January 30, 1940. Mr. Clarke wrote:

"Referring to our telephone conversation of today, regarding Book Paper Trade prices for the West; we are adopting the same plan as you are in the event of receiving any orders for Book Papers for Western Canada.

How are you handling orders from Converters in Eastern Canada for Book Paper in rolls and sheets? We have been applying the Trade prices, although it does seem to us that as Converters previously bought Book Papers on practically the same basis as Merchants, it would seem to work a hardship to the Converter to apply Trade prices from now on.

I would appreciate your views in this matter at your convenience, . . ."

(EBC 58-4A)

Mr. Smith replied on January 31:

"Replying to your letter of the 30th, any orders that we get from converters in Eastern Canada for Book Paper are being priced at the Trade prices for the quantity involved, and in no instances do we allow Loyalty Discount on Book Paper except to merchants.

I naturally agree with you that this represents a substantial increase in price, but so far as I know, there is no provision in our set-up for any intermediate price, and so far, I have run into no objections on the new set-up."

(EBC 58-4)

(1) Under the bracket system of pricing the mills show, for certain book papers, prices for less than the usual one ton minimum quantity. When these prices are for sales of between 500 and 999 lbs., they are shown in "A" column. They are the same as shown in the merchants' price lists for ex-warehouse sales.

Although no edition of the Book and Writing Schedule later than November 29, 1938 was produced in the inquiry, a reference to it in correspondence between E. Clarke of Eddy and A. E. Cadman in 1940 indicates that such a schedule was continued as a record of common prices for certain papers. In a notice dated May 29, 1940 and signed A. E. Cadman, information was given with respect to a change in the amount of freight which would be added to the Ontario-Quebec prices of Highway tablet for shipment to Western Canada in view of the fact that Provincial would be making this paper at its Port Arthur mill (EBC 49-10D). On May 31, 1940 a further notice, signed A. E. Cadman, stated that the change was not being made for the time being and that members would be advised if any change were made (EBC 49-10C). On June 1, 1940 E. Clarke of Eddy wrote as follows to A. E. Cadman:

"Referring to your circular letter of May 31st; what we are desirous of knowing is whether Provincial are adhering, and will adhere until further notice, to the following prices on this grade of paper in the Prairie Provinces, as outlined in the Book and Writing Schedule:-

	<u>M.F.</u>	<u>S.C.</u>
Winnipeg ..	\$8.30	\$8.80
Regina & Saskatoon ..	8.55	9.05
Calgary & Edmonton ..	8.80	9.30

All the above prices are F.O.B. Mill, carload freight and cartage allowed.

If you can get this information from Provincial and advise us, we will greatly appreciate it."

(EBC 49-10B)

Mr. Cadman replied on June 4:

"Highway Tablet

In this matter I have talked to Mr. K. Toy and he states that the Provincial will adhere to the present schedule until further notice to all concerned; i.e. exactly as stated by you."

(EBC 49-10A)

(b) Wartime Controls

The fine paper industry did not become subject to direct government economic controls in any significant detail until the general price and supply control action of December 1, 1941. Maximum prices of fine papers were established, under the regulations for the over-all

price ceiling, as the highest prices at which the individual firm made sales during the basic period September 15 to October 11, 1941. Control of maximum prices of fine papers was maintained under the wartime regulations until 1947 and no adjustments in ceiling prices were made until 1946. Under Order A-1925 of the Wartime Prices and Trade Board, effective April 1, 1946, maximum prices of fine papers were increased for various categories by \$8.00 to \$12.00 per ton at the mill level. In January 1947 price ceilings on rag grade bond papers and surface coated papers and boards were suspended and the maximum prices of fine papers remaining under control were increased further by \$15.00 per ton by Order A-2220, effective January 13, 1947. This order remained effective until April 2, 1947 when price ceilings on the fine papers covered by it were also suspended.

Apart from the price ceiling, wartime control measures in relation to fine papers were directed principally to conserving and maintaining supplies and providing for equitable distribution of available production and stocks. A Book and Writing Administration was established under the Wartime Prices and Trade Board and A. P. Jewett, who was appointed Administrator on December 1, 1941 served throughout the period of control. Under the authority of the Wartime Prices and Trade Board, action was taken through series of Administrator's orders to secure greater utilization of available resources by directing various measures of simplification. Maximum weights were established in the case of certain papers and limits of sizes, types, colours and finishes generally, applied to the manufacture of book, writing and specialty papers. Controls were also established over the stocks of book, writing and specialty papers which a purchaser might acquire. The simplification measures for the manufacture of fine papers were largely consolidated in Order A-1000, effective January 1, 1944. This order remained in effect for some months after price ceilings were suspended and was not revoked until September 11, 1947.

During the period of wartime controls, as has been mentioned, prices and other conditions of sale were subject to close government regulation; specifications were restricted; distribution was largely controlled; and many other aspects of the industry were also removed from the field of private determination. This would appear to explain the break in the chain of documentary evidence, although there is sufficient to indicate that, within the limits imposed by government controls, the arrangements continued as before. During this period the meetings of the Book and Writing Section which were held from time to time were largely concerned with matters relating directly to conditions arising from control requirements and wartime shortages.

(c) Post-Control Period

The intervention of wartime price control in December 1941 led to the suspension of negotiations that had been going on among the mills and between the mills and merchants looking to the revision of the common basis of pricing book papers and bond, ledger and writing papers. When it became evident in 1945 and 1946 that the removal of the

price ceiling could be anticipated, steps were taken to proceed with the development of new arrangements for pricing which could be made effective after controls were removed.

In an inter-office letter of October 1, 1945, J. L. Patenaude of Howard Smith wrote to E. H. Smith:

"Ready Reckoner
Book - Offset - Text"

During the Spring and Summer of 1941, we had been working on a Ready Reckoner covering book, offset, text, prices.

The situation on August 4th, 1941, was that we had this all lined up ready to submit to the Pulp and Paper Association with a view of having the whole Association adopt the Ready Reckoner and at the same time of course have them make certain changes in the Trade Custom to agree with the changes to be made in the price set-up due to the establishment of the Ready Reckoner.

The Government's Policy on price-ceiling interfered with this and the matter was then shelved.

I do not know whether it is too soon yet to take this matter up again.

Possibly you may have this in your own follow-up, however this came up in my own follow-up and I thought it would be a good idea to bring it again in front of you as it may not be too soon to get all the companies in the Association working on this so that in the event of a price change, we would be ready to work on the new basis."

(HS 101-7F)

On March 15, 1946 E. H. Smith of Howard Smith wrote to W. H. Aird at the Toronto office of the company in regard to "Price Set-up Book, Offset and Text". In his letter Mr. Smith wrote:

" . . .

In regard to Mr. Patenaude's price proposals, I do not suppose we will be able to implement all of them until such time as the price ceilings were removed. Therefore, there is no particular rush about your studying them.

However, I think this whole question of pricing is an important problem not only on Book Papers but also on Bond and it is something to which I think you should devote a

good deal of thought so that we will know what we want to do well in advance of the time when we are again permitted to set our own prices. As I am sure you appreciate, a change in the price structure is not the sort of thing you can do in a day or two while making a price change."

(HS 101-7A)

At the annual meeting of the Canadian Paper Trade Association held in May 1946, the Mills Relation Committee of that association was requested "to re-open negotiations, which due to conditions had to be discontinued in 1941, to develop a fair and equitable revision of the direct shipment structure" for bond, ledger and writing paper.

The system of pricing for direct mill shipments on bond, ledger and writing papers which was in effect at this time had been developed many years before the war and included what was described as the "two and three ton arrangement". The quantity of two tons referred to high grade bond paper and the three tons to sulphite bond or writing papers. Customers buying in these quantities could purchase at mill list prices from merchants and, if they were recognized as direct accounts by the mills, such customers could place direct mill orders. In addition, certain customers were given a preferred position and could buy in lesser quantities at the tonnage prices. The situation was described as follows in a Howard Smith memorandum of March 4, 1948:

" . . .

For a number of years it has been realized that under our old system there was a discrimination. Certain preferred accounts received preferred treatment which, whilst favourable to them, was unfair to all others and these were the vast majority of the Trade who did not enjoy the same buying privileges.

Furthermore, the number of preferred accounts sold by us direct or through the merchants was increasing. It was common knowledge that a list of selected accounts existed and pressure was constantly being exerted to throw things wide open or to correct conditions that were obviously unfair and put everyone on the same competitive basis.

Prewar it was realized that this was not a sound or healthy condition, but with the advent of war and the Government price controls, nothing could be done about it. Nor, immediately on the cessation of price controls was it deemed advisable to make an immediate change or to make any change before long and careful study had been given to working out a system that would be equitable.

. . ."

(HS 18-2)

The proposals for a new structure of pricing for bond, ledger and writing papers contemplated a scale of quantities which would be recognized by both mills and merchants and quantity prices which would be the same for direct mill shipments whether the sale was made on direct account by the mill or whether the order was placed through a merchant. A tentative proposal for a new price scale was circulated by the Mills Relation Committee of the C.P.T.A. in a letter dated August 14, 1946, which contained the following comment:

"Two basic conditions underlie this proposal: that Merchants and Mills will apply the conditions of the arrangement, without exception, to all accounts buying under it; and that direct shipment structures will be adopted in all territories. It provides for a substantially better average gross margin than under the present two and three ton list."

(EBE 29-6)

It appears that when merchants sold on the two and three ton basis at mill list prices, their margin consisted of the loyalty discount of 5 per cent and a quantity discount ranging up to a maximum of $2\frac{1}{2}$ per cent. The tentative proposal set out in the letter of August 14 was based on the continuation of the over-all loyalty and quantity discounts at their existing rates by the mills. It contained also the following mark-up rates:

Quantities

Rag Grades	Sulphite Grades	Mark-Up
20,000 lb.	36,000 lb.	Mill base price (merchant securing loyalty and quantity discounts)
6,000 lb.	10,000 lb.	Mill base price, less loyalty, plus $7\frac{1}{2}$ per cent
3,000 lb.	5,000 lb.	Mill base price, less loyalty, plus 10 per cent

The proposal also provided for ex-warehouse shipments of one ton by merchants at a mark-up of 18 per cent for eastern territories as compared with the then prevailing mark-up of 23 per cent on sales of 1,000 lbs. and over. It will be noted that the proposal outlined to the merchants by their Committee provided for larger margins than before on the sale of 4,000 and 6,000 pounds which were previously the minimum quantities for direct mill shipments.

The merchant and mill groups proceeded actively with their consideration of a new price structure for bond, ledger and writing papers and attention was directed to bringing the matter to a conclusion in 1947. A meeting of representatives of Eddy, Howard Smith and Rolland was held on January 30, 1947. Writing to Mr. Earnshaw of Eddy on February 6, 1947, E. H. Smith said:

"It has taken me quite a while to complete the notes on the proposed sales set-up for Bond Papers but I am now enclosing two copies.

I have changed the set-up somewhat from the notes that I made at the meeting but I think I have incorporated all the points we discussed and that the enclosed notes correctly interpret the conclusions we reached. If, however, you find any errors or omissions, I would appreciate it if you would let me know.

You will recall that at the meeting we did not decide on the exact percentages of mark-ups that we would recommend for each quantity bracket, simply saying that these were to be the same as Book Paper. You will note that I have used round figures of 6½%, 7½% and 13½% respectively which, with the exception of the D. Bracket mark-up, check quite closely with the Book Paper. In the case of the D. Bracket mark up you will find an explanatory note in the memorandum referred to at the bottom of para 3 (b).

In accordance with our telephone conversation of this morning, I am asking Bill Aird to discuss these notes on a confidential basis with Ivan Moffitt, so that we can have the benefit of his reaction when the Section discusses the matter further.

I will appreciate your comments or criticisms on this whole matter at your convenience."

(EEE 29-4)

The notes which Mr. Smith enclosed with his letter to Mr. Earnshaw included the following:

" . . .

While there was some discussion regarding other grades, conclusions were reached only with regard to Sulphite Bonds.

. . .

2. Underlying principles:

(a) The proposal will provide one price to merchants, converters and envelope manufacturers regardless of the quantity covered by any individual order but subject to a minimum item of 500 lbs.
(This 500 lb. minimum is subject to negotiation.)

(b) Graduated prices will apply on sales by the mill

to other classes of buyers. These graduated prices should be set up to provide the merchants with approximately the same percentage mark-up in each bracket as they presently enjoy on Book Paper including the 2% Quantity Discount as part of the mark-up.

- (c) Machinery houses as listed by the Book and Writing Section will be sold Mimeograph Paper on the present basis as outlined in Green Memo 55.

NOTE: This machinery house set-up and the list of machinery houses should be reviewed by the Section.⁽¹⁾

- • •
(b) Set up four quantity brackets for direct mill shipment; the mark-up basis together with the quantity covered by each bracket to be as follows:

E BRACKET -
20,000 lbs. and up. - Mill base price

D BRACKET -
10,000 lbs. to 19,999 lbs. - Mill base price less Loyalty,
plus 6.5 per cent.

C. BRACKET -
5,000 lbs. to 9,999 lbs. - Mill base price less Loyalty,
plus 7.5 per cent

B BRACKET -
2,000 lbs. to 4,999 lbs. - Mill base price less Loyalty,
plus 13.5 per cent

Minimum item in any bracket 500 lbs.

- • •
4. The Book and Writing Section is to discuss the foregoing proposal and particularly with reference to the method of presentation to the merchants"

(EHE 29-4A)

(1) "Machinery House" was a term used in describing a small number of firms, most or all of which were engaged in selling business machines, which were recognized by the mills as direct buyers of mimeograph paper which they in turn resold.

The four quantity brackets outlined above differed from those previously proposed by the merchants and the minimum quantity for the mill list price was set at 20,000 lb. instead of 36,000 lb. Provision was also made for a lower bracket of 2,000 lb. on a direct mill shipment. The scale of mark-ups for the various brackets was lower than that originally proposed by the merchants. The latter were also pursuing their examination of the proposals for a new price structure. On February 28, 1947 Ivan Moffitt wrote to T. Havill, chairman of the C.P.T.A.'s Mills Relation Committee:

"Here is a collection of notes on various points in connection with the proposed revision of the Bond Paper structure, which I have jotted down during recent weeks. Some are reminders of what has already been discussed and others refer to points that may require to be clarified or developed.

I would suggest that at an early convenient opportunity our Committee should spend some time together to lay down the proposal in detail and to decide how we will proceed. Have you any preference as to time and place which we might suggest in approaching the Committee members to make arrangements."

(WIL 4-8)

Under the heading "General Purposes and Provisions", Mr. Moffitt made the following comment:

"Basic condition that all provisions of revised structure to be applied uniformly and without exception to all accounts buying under it whether served by Merchants or Mills.

To provide a well rounded structure to serve all reasonable requirements that products of the Mills will to greatest extent possible be distributed through Merchant trade. This will involve setting of quantity units and conditions of sale which are practical both for the buyer and the seller.

• • •"

(WIL 4-8A)

Mr. Moffitt then reviewed the proposals and commented on the possibility of amendment or compromise.

References to further discussions among mills and with the merchants' representative are contained in a letter of March 10, 1947 to E. H. Smith of Howard Smith from W. H. Aird of the same company. Mr. Aird wrote in regard to the "Sales Set-up on Bond Papers":

"I had a preliminary discussion with Mr. Roy Ecclestone on Ivan Moffitt's reactions to our proposed set-up and discussed the matter further at the meeting.

Mr. Moffitt's main objection was to the 2000 lb item direct Mill shipment. He stated that this definitely would cut into the sales of the Merchants in the 1000 lb bracket, cutting down their over-all profits accordingly.

This point, in my opinion, was well taken, and in discussing the matter with Roy, I offered the compromise suggestion that we retain the 2000 lb direct Mill shipment, one grade, with a minimum unit of 500 lbs at the mark-up as shown, and giving the Merchant approximately the same profit as on a direct Mill shipment of one ton of Book Paper.

And secondly, that we should suggest to the Merchants that they also have a 2000 lb ex warehouse bracket, assorted grades, sizes, weights and colours, a (Sic) the Merchants' suggested mark-up of a Mill price less Loyalty plus 18%, and plus quantity.

At the meeting all were in favour of this compromise arrangement.

• • •

At the meeting I expressed my doubts as to whether the Merchants would actually set their own House in order were the new price structure put into effect. It was unanimously agreed that on any proposal we submitted we would have to receive complete assurance from the Merchants from Coast to Coast that the new price structure would apply without exception.

Furthermore, I doubted the wisdom of enforcing a new strict price set-up immediately or soon after price ceilings were lifted, as apparently the actions of manufacturers on the lifting of price ceilings was being closely watched. Certain Printers or Lithographers who had enjoyed certain privileges for the last 15 or 20 years might raise serious objections to a new set up that meant substantially increased costs to them, and might accuse the Fine Paper Industry of price collusion and restraint of trade.

It was agreed that the first thing to do was to have the idea accepted unanimously, to be put into effect at the correct psychological time.

It was finally decided that a meeting with the Mills' Relations Committee should be called for Wednesday March

26th at 9.30 am. The next meeting of the Section is to be on Tuesday, April 8th.

Whilst the Mills were satisfied on the compromise arrangement suggested above, it was only on the basis that you also approved of the idea. Mr. Patenaude can give you details of the conversation if you wish to discuss the matter with him.

Also he can go more into detail on the discussion that took place than I can in this letter."

(HS 56-2C)

Mr. Smith replied on March 11 that he was dubious about having two prices apply on the same quantity of 2000 lbs. (HS 102-1K), and Mr. Aird wrote again on March 13 to Mr. Smith reporting further discussions he had had with Mr. Moffitt on this point:

" . . .

I have had another discussion with Ivan Moffitt. His reaction to the compromise set up was that as the Merchants' ex-warehouse price would apply to one grade only, assorted sizes, weights and colours, that most orders placed by Printers would be on the one-ton direct Mill shipment at the lower price. Again he was most anxious that nothing would be done that would detrimentally affect the Merchants' over-all profit position.

After some discussion he remarked, that we should steer away from the ex-warehouse item, keep the one ton direct Mill bracket, but increase the margin of profit over that suggested in our original set-up.

He was not prepared to state what the percentage profit should be, but inferred that it naturally should be less than the 18% suggested by the Merchants, because, as it would be a one-ton direct Mill shipment, no warehouse expenses would be involved.

So, where the Merchants originally suggested an 18% Mark-up plus say 2% quantity, and we suggested 13.5% mark-up plus 2% quantity, a figure in between the two should be acceptable.

Another suggestion that Ivan makes strongly is that instead of the structure that we have suggested, we should build a structure, giving Merchants discounts off the face of the invoice that would enable them to buy at the same cost price under each bracket.

" . . ."

(HS 56-2A)

The annual meeting of the C.P.T.A. was arranged to be held in Vancouver in May 1947, and plans were made for a discussion with the representatives of the mills. The following was included in a memorandum entitled "Memo Re Presentation of Bond Paper Question at Annual Meeting" dated April 28, 1947, found in the files of John Neville who was at that time a member of the Mills Relation Committee:

" . . . "

PROPOSAL:

The following quantity units vary from the original suggestion made last August, in that the proposed 1 ton quantity is changed from ex-warehouse to mill direct; also the maximum quantity is reduced.

" . . . "

(JNP 15-4)

Commenting on the annual meeting in a letter written from Vancouver on May 15, 1947, K. W. Murphy of Barber-Ellis wrote:

"The closing session of the Canadian Paper Trade Meetings ended yesterday, and in my opinion this was the best Convention I have ever attended. All Paper Merchants, with the exception of T. B. Little were represented, and all Paper Mills were represented. Howard Smith had the largest delegation headed by Mr. Ned Smith.

I will make a full report when I return, but one of the main items that was passed at the Meeting was the new Mill Shipment set-up on Bond Papers. The Mills have pretty well agreed to accept this new set-up, and I feel sure it will be working by the first of 1948. It is a big step for them to take, as they will have to raise their prices on direct accounts right across Canada. We of course will then be in a position to make a little more money on Mill Business.

" . . . "

(BET 15)

E. H. Smith of Howard Smith wrote to Mr. Aird of the same company on June 9, 1947:

"Now that the proposed Bond Paper set-up has been pretty well approved, there are still a few details to be ironed out and I assume you will get them lined up and into shape."

(HS 56-1I)

In a further letter to Mr. Aird on the same subject, Mr. Smith wrote under date of July 4, 1947:

" . . .

. . . I think we will probably have one opportunity this year to bring this set-up into force and we should be ready for this opportunity whenever it occurs."

(HS 56-1G)

Mr. Aird wrote to E. H. Smith on July 31, 1947 enclosing memoranda prepared in connection with the proposals. In his letter he said:

" . . .

Should the attached meet with your approval, it is my intention on my return from vacation, to first of all discuss our proposals with the Rolland Paper Company, then it might be advisable to let Mr. Ivan Moffitt check over our memoranda to make sure that it is in accordance with his understanding based on the discussions in Vancouver. If it is satisfactory, then we could advise the other Mills and be all set to go when the proper time arrives.

. . ."

(HS 56-1E)

In a memorandum attached to a letter of September 2, 1947 from J. L. Patenaude of Howard Smith to W. H. Aird of the same company, various details of the proposed bond paper set-up were given (HS 101-4F). Question was raised as to the rate of mark-up to be used for the minimum mill shipment bracket of 2,000 to 3,999 lbs. and notation was made that 15 per cent after deducting loyalty discount was correct.

Reporting to T. Havill on September 12, 1947, Mr. Moffitt wrote:

"I left Bill Aird feeling the details on the Bond arrangement were clearly understood. This refers to rates of mark-up; adjustment of fractions (10¢ up); make up of quantities (not less than 500 lb. of an item; also minimum quantities for sale to merchants and legitimate converters both on sulphite grades, rag ledgers, rag bonds & stationery. The further point was established as to the added 25¢ margin for the Prairies and B.C.

I think H.S.P. are anxious to have the revised schedule put into effect as promptly as possible. The same feeling exists at the Eddy Co."

(TH 4-9)

Various details of the price structure for bond, ledger and writing papers are set out in an Eddy memorandum of September 27, 1947 and the margin for the minimum quantity bracket is also shown as 15 per cent (EBE 16-5-3).

Reference has already been made to a letter of March 10, 1947 written by Mr. Aird of Howard Smith in which he expressed doubts about the wisdom of enforcing a new strict price set-up immediately or soon after price ceilings were lifted, as the fine paper industry might be accused of price collusion and restraint of trade. In a reply to this letter on March 11, E. H. Smith wrote:

" . . .

I agree that we should go very carefully in regard to implementing any proposal but I think it is going to be rather difficult to do this without giving the impression of collusion."

(HS 56-2B)

The new price structure for bond, ledger and writing papers was not introduced until October 1947, and announcements of the change were made on different dates by the three principal manufacturers of these papers, namely Howard Smith, Rolland and Eddy. The first company to announce to the trade the adoption of the bracket system of prices for bond, ledger and writing papers was Howard Smith, which sent out notices under date of October 10, 1947. W. H. Aird of Howard Smith dictated a letter to C. F. Ross of the same company on that day in which, after mentioning that the new bracket structure had already been discussed with the merchants and suggesting that Mr. Ross familiarize himself with the details of the new set-up, he said:

" . . .

Large Printers and Lithographers who formerly have been buying from the Merchants in the two and three-ton arrangement, will now, presumably, be buying through the merchants on the four-thousand pound bracket for Rag grades, and the six-thousand pound bracket for Sulphites. You will note that the prices in these brackets are only very slightly above the prices in the 'D' bracket for rags and the 'E' bracket for Sulphite Bonds. Therefore, these large accounts should accept the new structure readily because it actually protects them. In other words, certain smaller accounts throughout the West and also in the East, as you know, have been given buying privileges to which they were not entitled on the volume of their business or the size of the orders placed. This situation now will be rectified. Any direct accounts that we have in the East or West will have to buy under the bracket structure. Merchants quoting their customers on direct mill shipments will again use our bracket

prices, so that whether a Printer or Lithographer buys direct from us or buys through a Merchant, everyone will be on the same basis across Canada.

..."

(HS 93-2A)

J. L. Patenaude of Howard Smith wrote to Ivan Moffitt on October 14, 1947:

"I am attaching hereto sheets taken from our Price Book covering the Bonds, Writing and Stationery section, in connection with the new set-up.

Should you have any further questions to ask in connection with this new set-up, I will be pleased to let you have any information that you may require."

(HS 104-3)

The following table shows the quantities coming within the various brackets for both rag and sulphite grades of bond, ledger and writing papers under the new pricing structure and the percentages of mark-up on merchants' cost incorporated in the selling prices for the different brackets.

Table X

Bracket Quantities and Merchants' Resale Margins established under Bracket Structure on Bond, Ledger and Writing Papers,
October, 1947

	Rag Grades		Sulphite Grades	
	Range of Bracket in Pounds	Basis of Calculation of Resale Price	Range of Bracket in Pounds	
B.Bracket	2,000 to 3,999 lbs.	Base Price less Loyalty plus 15%	2,000 to 4,999 lbs.	Base Price less Loyalty plus 15%
C.Bracket	4,000 to 9,999 lbs.	Base Price less Loyalty plus 7.5%	5,000 to 9,999 lbs.	Base Price less Loyalty plus 7.5%
D.Bracket	10,000 lbs. and over	Base Price ⁽¹⁾	10,000 to 19,999 lbs.	Base Price less Loyalty plus 6.5%
E.Bracket			20,000 lbs. and over	Base Price ⁽¹⁾

(1) Generally speaking, all merchant purchases, in whatever quantity, were at this price less loyalty and quantity discounts. On resales in these brackets, the merchant's profit margin would be the 5% loyalty discount and the annual quantity discount at the rate earned by the individual merchant which would not exceed 2.5%. In the Prairie provinces the merchants were allowed an additional 25¢ per cwt.

The careful attention given to securing as complete uniformity as possible between mill and merchant price lists is indicated in correspondence relating to the charges for deckle edge sheets. An inter-office memorandum of Howard Smith, dated October 16, 1947, contained the following:

"Mr. Ken Hunter of Buntin Reid went over his Price Book with Mr. Aird yesterday and pointed out some discrepancies about which we understand Mr. Aird has already written you, or discussed with you.

Another item that he mentioned was that in building up the merchants' resale price, Mr. Ivan Moffitt had used a differential of 30¢ cwt. for the trimming on Carlyle and Byronic. Although he realized these were deckle edge sheets with trimming two ends only, he understood that there had been a special arrangement between the mills to charge 30¢ cwt. on the basis that it was just as difficult for the mills to trim a deckle sheet two ends as it was to trim a sheet four sides.

Mr. Moffitt has advised the merchants of the new price including 30¢ cwt. for trimming two ends and Buntin Reid have their Price Book at the printers now on this basis. Mr. Aird therefore asked us to write to you and he does not feel that we should have Mr. Moffitt change his price or Buntin Reid hold their book back from the printers to bring the differential down to 20¢ cwt. for trimming two ends.

As Mr. Ivan Moffitt no doubt received his interpretation from somewhere Mr. Aird would like you to take the matter up with Rolland.

" (HS 115-1)

In a letter of October 17, 1947 to the Toronto office of Howard Smith, J. L. Patenaude replied that the company's price lists would be revised along the lines indicated in the foregoing memorandum. He wrote:

"Replying to your letter of Oct. 16, . . . we will go by the ruling that Deckle Edge paper trimmed two ends will be charged at 30¢.

" (HS 115-2)

The question which had been raised by Mr. Aird's correspondence in March 1947, that the adoption of the new bond price structure by all manufacturers of such papers might give rise to a charge of price collusion, appears to have been present in the minds of others in the trade when the new prices were being introduced. Stuart Clark of Clark Bros., Winnipeg, wrote two letters to the company's branches in Saskatchewan and Alberta on October 16, 1947. One letter contained the following:

"Roy Ecclestone flew into Winnipeg yesterday to give us first hand information on Howard Smith's new bracket prices on Writings and the mill position in regard to making deliveries.

" (CBR 1-13)

In the other letter he made the following comments:

"Howard Smith have issued price sheets, copies of which we are enclosing, showing the basis on which they intend to sell Bonds, Ledgers, etc. on a bracket system similar to Book Paper.

We are placed in a peculiar position as agents for Rolland,

whereby we have received no instructions from them to change our present basis of selling. Therefore, we must continue to sell at the 3 ton price (or if selling Rag Papers the 2 ton price) which on the enclosed is the same as 10 tons on sulphite & 5 tons on rags. It can be assumed that after Rollands have studied this set-up that they will quite possibly follow suit. In this way they avoid the investigations under the Combine's Act. I am also told that Eddy's have not yet made a change.

• • •

The main point is for security reasons you cannot use this list except on the assumption that Rollands may follow suit.

• • •"

(CBR 1-11)

On October 7, 1947, which was three days before Howard Smith announced the adoption of the new bond price structure to the trade, Eddy, with the apparent knowledge that it would not lead in implementing the new bracket structure and with the stated purpose of saving its branches "embarrassment -- if at an early date bracket prices are established" warned its branches that a new structure for bond, ledger and writing papers was under active consideration and that bracket prices might be established at an early date (EBC 23-4).

G. W. Earnshaw of Eddy wrote to the company's representative in Winnipeg on October 21, 1947:

"Thank you very much for your letter of October 15, informing us that the Winnipeg fine paper merchants have put into effect, bracket prices for Bond, Ledger and Writing Papers.

We can now inform you definitely that The E. B. Eddy Co. will adopt bracket prices for Bond, Ledger and Writing grades. This will be done within a few days' time and you will receive complete information possibly by the end of this week."

(TPW 5-1)

The Eddy price lists embodying the new bracket structure for bond, ledger and writing papers were effective October 27, 1947. A company circular dated October 24 contained the following comments in regard to the new price lists:

" . . .

In Western Canada, merchants and converters will buy in any quantity (minimum order, 500#) at 25¢ per 100 lbs., less than the 'E' bracket prices applicable in Western

Canada. There will be no change in Trade, Loyalty or Quantity Discount where presently applicable.

Lest you have any apprehension regarding the new price list for Bond, Ledger and Writing Papers, we should mention that it is our understanding that merchants have themselves established prices for mill shipments which have been in effect for several days at least. We also understand that one other mill at least has established bracket prices for all grades sold through merchant channels.

" (EE 23-10)

Price lists of the Rolland company were prepared by October 23. Writing to the Winnipeg office of the company on that date, R. H. Ecclestone said:

"I am sending you herewith, by Airmail, three copies of the new Price List which we have just received. Mr. Rheume is sending you about 25 copies by ordinary mail. These price lists are going out tonight to merchants only in Ontario and Quebec.

I will be phoning you or writing you further to-morrow but meanwhile, remember that we agreed to add 25 cents to our prices for Western Canada in addition to the regular freight up-charge. This means that Winnipeg prices will be \$1.00 over the Ontario and Quebec prices for direct shipments. Merchants and converters will not take the up-charge of 25 cents.

" (ROW 7-2)

The reference in the Eddy and Rolland correspondence above quoted to the addition of 25 cents to the resale prices in Western Canada may be related to the letter of September 12, 1947 to T. Havill from Mr. Moffitt, quoted earlier, in which the latter referred to a discussion with Mr. Aird of Howard Smith and said: "The further point was established as to the added 25¢ margin for the Prairies and B.C." (TH 4-9).

By October 27, 1947 price lists of Howard Smith, Rolland, Provincial and Eddy embodied the new bracket structure in similar form and on the same price basis for comparable lines.

The bracket structure for bond, ledger and writing papers was not adopted by the fine paper merchants in British Columbia who met as a group to consider their attitude. In a letter of October 23, 1947 to Ivan Moffitt, H. E. Miller of Columbia Paper wrote:

"A meeting of the B.C. distributors was held in our Board Room on Tuesday to discuss your letter of the 16th instant regarding the import set-up on Bond Papers and I might say that we were terribly disappointed in the profit allowed us for ex-car items. We unanimously turned down the proposition for as far as British Columbia is concerned it is impossible for us to work on such a ridiculous small margin.

. . . "

(TH 4-110)

In all territories except British Columbia the new price structure for bond, ledger and writing papers established the same prices to customers on direct shipments whether the order was placed directly with the mill or placed through a merchant. The following comment on this situation was contained in an inter-office letter of October 22, 1947 from J. B. Larkin of Howard Smith, who was in charge of the company's merchandising subsidiaries, to W. H. Aird:

"

My second reason for dropping you a line is the question of the new set-up of resale prices on Bonds, Ledgers, Writings, etc. for the direct accounts as well as to the merchants' customers. I understand that in inaugurating this new set up, it in no way supersedes the understanding regarding the principle that we put into effect at the time of establishing the system of the two and three ton lots at mill prices. As you are no doubt aware, with the inauguration of the two and three ton arrangement, it was thoroughly understood that the mills would not increase the number of direct accounts to which they would sell Bonds, Ledgers and Writings. This was one of the salient features understood by the merchants and the mills at the time of bringing this arrangement into being.

My reason for bringing this subject before you is brought about by the fact that your mill salesmen naturally have the price lists similar to the ones that are now in my book, and armed with this information they may be disposed to conclude that any printer or lithographer, particularly the larger ones to whom you are not selling direct, would be prospective customers for them to go after. With this thought in mind I do think that this angle should be clearly explained to your salesmen, and in this way possibly avoid a lot of misunderstanding in the future.

. . . "

(HS 98-4B)

Copies of Mr. Larkin's letter were sent to several members of the company's staff by Mr. Aird, who wrote as follows in a covering memorandum dated October 23, 1947:

"Appended hereto, is a copy of a letter received from Mr. J. B. Larkin which is self-explanatory.

His understanding as outlined, is absolutely correct. Our policy always has been and still is to support the merchants in every way possible and it is not our desire or intent to add to our present list of direct accounts.

Will you please be governed accordingly."

(HS 98-4A)

The agreement on the price structure of bond, ledger and writing papers was only one of a series of arrangements relating to fine papers by which uniformity of mill price lists has been maintained in the post-control period. No record of discussions on prices among the mills is available in any consecutive series of minutes, but the manner in which the common prices embodied in the companies' price lists were arrived at may be inferred from other documents and the oral evidence.

In 1946 the mills were preparing for the lifting of price controls. In a memorandum of a conversation with A. P. Jewett, W. H. Aird wrote on May 22, 1946:

" "

We then discussed the question of prices, and Jewett felt this was the time to go over our whole price structure thoroughly and put it on a proper and reasonable basis.
". . . ."

(HS 101-6C)

On November 1, 1946 R. H. Joyce of Don Valley wrote to G. B. Barnshaw of Eddy who was chairman of the Book and Writing Section at the time. In his letter, Mr. Joyce said that he expected to attend the next meeting of the Book and Writing Section in Ottawa on November 19 and referred to a suggestion he had made previously for a change in the method of packing ticket bristol. His letter went on:

"There is another point which might be considered when prices come up for revision. At present there is an extra charge of .03 per lb. for Mayfair and Donvale Covers in Scarlet and Black. There always has been this extra charge and in the case of the groundwood covers, Thormcliffe and Piccadilly, there is an extra charge of .02 per lb. There-

fore, why not for Red in Ticket Bristol. In fact, I feel that wherever Scarlet, Black or Emerald Green appear, an extra charge for these costly colours should be made.

In yet another grade, Box Cover, we have a scale of prices adjusted to meet the cost of the various colours.

Would you please let me hear from you in reply to this and if you agree, I would like to have these points placed on our agenda for discussion. . . ."

(EBE 3-14B)

In a reply to this letter Mr. Earnshaw wrote on November 4, 1946:

" . . .

At the meeting, the recommendations of the Packing and Wrapping Committee will be discussed. There will also be an opportunity to discuss the extra cost of red, black and emerald green Ticket Bristol although this item may not appear on the Agenda as it has to do with price.

. . . "

(EBE 3-14A)

When Mr. Earnshaw was asked whether this statement indicated that matters of price were dealt with at Book and Writing Section meetings or just before or subsequent to a meeting, he said in evidence:

"A. Not at all, . . . That letter was written to Mr. Joyce as an individual, and I said there would be an opportunity. I did not say at the meeting. I would not think of anybody else but him personally. I would particularly feel that because I did not know of anyone else who would be interested in any discussion on that subject."

(Evidence p. 912)

Preparations for discussions among coated paper mills with respect to prices are referred to in an inter-office letter of November 7, 1946 from P. F. J. Dolan, then secretary-treasurer of Alliance, to H. S. Ramsay, then sales manager of the same company. Price ceilings on coated paper were suspended in January 1947 and, after the controls were removed, Alliance and Provincial advanced their list prices on a uniform basis. Mr. Dolan wrote on November 7:

"We are collecting a lot of information in connection with this subject, but it is my opinion that when it is all settled, we are going to have to conform in many

ways with the ideas our competitors have relative to price increases. All we can do is to have our ammunition ready to fire when discussions relative to these prices start.

Presently you are, apparently, of the opinion that you think we are going to raise prices too high. I don't think our competitors are going to let us do this, and I don't think we want to do it either. For the time being, I am afraid we will have to say that our costs are higher than those of our competitors because they have machinery which will coat paper faster and, therefore, more economically.

... .

... ." (APS 4-2)

Information on the proposals being considered by Alliance for increases in coated paper prices was sent to E. H. Smith of Howard Smith by A. E. H. Fair of Alliance with a letter of November 19, 1946. In his covering letter Mr. Fair wrote:

"Coated Paper Prices -

You will find attached a copy of two letters written by Mr. Ramsay dealing with coated paper prices. You will recall that I told you I would send this information to you and ask your comments before we attended the meeting with the other Coated Paper Mills.

My off-hand reaction is that the figures which Mr. Ramsay has shown are approximately, \$10.00 per ton high. However, Mr. Dolan is of the opinion that, in general, these recommended price increases are not out of line. Both Mr. Dolan and myself feel that some further work should be done on differentials but we have not drawn final conclusions on this subject yet.

I should think that if we continue the assorted cases prices, there should be some modification. I intend to go over this before we have our meeting with the other Mills.

... ." (APS 4-3)

The price ceilings on rag grade bond papers as well as on coated book and litho papers were suspended on January 13, 1947 while the cancellation of ceiling price orders with respect to other grades of fine papers did not become effective until April 2, 1947. Howard Smith and Rolland are the two companies which produce rag grade bond papers. In a letter dated January 9, 1947 to W. H. Aird of Howard Smith, E. H. Smith wrote:

"Re: Prices

I have just had a talk to Rolland and we have agreed on the price increases you and I discussed over the telephone this afternoon; that is -

No. 1 Bond and Ledger	-	1 $\frac{1}{2}$	per lb.
No. 2 Bond and Ledger	-	1 $\frac{1}{2}$	" "
No. 4 Bond and Ledger	-	1 $\frac{1}{2}$	" "
No. 3	-	1 $\frac{1}{2}$	" "

These increases are to go into effect as and when the ceilings on rag grades are removed.

. . ."

(HS 100-2F)

In his evidence, E. H. Smith expressed himself as follows in regard to this letter:

- A. I talked to Rolland about prices. I suggested, or maybe they suggested -- no, those are ours. I suggested certain prices for certain grades. I cannot remember our language now. Probably I said that those were what we proposed putting in, and Rolland said they looked all right to them, and they thought they would put in the same.
- Q. Did they not say they were agreeable to them, that they would put in the same?
- A. I cannot say what words they used.
- Q. But that is the idea?
- A. Here is the point that I think you want: it was my understanding that Rolland would put in those increases. And I think they understood that we would.
- Q. But in this case you are the ones who first made the proposal to them?
- A. Yes."

(Evidence, pp. 1420,1)

Changes in mill prices were made on April 28, 1947 following the suspension of price ceilings on the remaining book and writing grades on April 2. In a letter dated April 24, 1947 to R. H. Ecclestone of Rolland, E. Rheaume of the same company wrote:

"There will be a general advance in prices effective next Monday, April 28th. Rolland Paper Company will

advise all customers by wire of the advance of prices in Bond papers only. Mr. Jewett will advise on book, envelope, etc. . . .

. . ."

(ROL 15-1A)

There was an exchange of information on the part of Rolland and Howard Smith with Eddy and Provincial in regard to the notices being sent to customers with respect to the price increases of April 28, 1947. Copies of telegrams of Rolland which were to be delivered to customers on April 28 were sent by the company to Eddy and Howard Smith on April 25 (EDE 2-16 and HS 29-12). On April 26 Howard Smith sent to Rolland, Eddy and Provincial copies of the telegrams which it was sending to customers on April 28 (HS 29-11A,B,C).

Further discussions among coated paper mills with respect to prices were referred to in a letter of April 24, 1947 from H. S. Ramsay of Alliance to A. E. H. Fair of the same company:

"Meeting of Coating Mills re Prices.

This meeting is to be held on Friday at 10.00 A.M. in Mr. Jewett's office.

Mr. Dolan gave me figures showing what labour would mean to the Georgetown costs and he estimates that both book and litho would be up \$1.10 to \$1.20 per 100 lbs. This includes the \$10.00 a ton increase on book raw stock and \$15.00 a ton on litho raw stock.

I am not sure whether you and Mr. Dolan intend to accompany me to this meeting but I think you should let me have your opinion as to the minimum to which we should go in the way of raising coated paper prices.

Mr. Dolan pointed out that possibly the other two coating mills, who have more pounds per hour over their coating machine, might have less increase in cost than we will. My thought is that 1¢ per lb. increase on coated is as much as we can put on at the present time."

. (APS 1-6)

Different interpretations were placed by various company officials on the meetings among the mills in connection with price increases. With reference to the letter quoted immediately above, Mr. Ramsay was asked whether he went to the meeting with any instructions from senior officers of the company. He said:

"A. No, I did not go with instructions. He would give me a line-up of our costs and the extra charges for raw

stock, for labour and so on, and those would be discussed at the meeting. At the meeting Provincial would pretty well decide what price they were going to set and then we had to make our minds up from then on; that was the reason for the meeting."

(Evidence, p. 460)

The following comments were made by A. E. H. Fair, president of Alliance and Don Valley, during his evidence in regard to meetings among mills:

"A. . . . My understanding is this, that when various cost increases occur, the mills do, in some cases, get together and discuss the effect of the cost increases, and get opinions from each other regarding the situation. But I cannot say that there has been an atmosphere of agreement, so far as we are concerned regarding prices."

(Evidence, p. 515)

"Q. You say that you would leave these meetings with a feeling of -- I believe you described it as disagreement -- or that nothing had been arrived at?

A. No, I would not say that. I left the meetings with a very definite impression that the most that could be charged for certain grades would be so much, if we wanted to remain competitive. But I did not agree that that general plan of prices or general arrangement of prices met with our requirements.

Q. In other words there would be occasions when you felt that the price increase was not sufficient?

A. That is right.

Q. And that your requirements were for higher prices, because your costs were higher than the other mills indicated?

A. Yes.

Q. So that after you left these meetings, is it fair to say that the mills represented there who stated the lowest price which they were going to put into effect -- that that was the governing price; is that correct?

A. That is a general statement, and that is probably it.

Q. Unless you could persuade them to come up?

A. Yes.

Q. And I suppose you would make a very definite effort to persuade them to come up, that your thinking was correct and that there should be a greater increase than they first proposed?

A. Our efforts were not as strenuous, nor were they very definite in that we recognized that, first of all, we should attempt to keep prices down and, secondly, that our chief effort should be to keep our costs down so far as possible.

Q. The end result of the meetings was that when prices came out, they were always the same, were they not?

A. On standard grades yes, I would say the prices were very similar at least."

(Evidence, pp. 523,4)

E. H. Smith, president of Howard Smith, was asked about the price which was adopted after discussions among the mills:

"Q. We have had suggestions from other witnesses that the lowest price that was suggested by the various mills, when you were discussing prices, was the one that was invariably adopted. I show you a document which is coded HS 75-2B, serial #2713, a copy of a letter from Mr. Aird to Mr. Nixon, dated June 21, 1948?

A. Did I understand you to say that you had had the suggestion from other witnesses that the lowest prices -- the lowest price that was suggested was invariably adopted?

Q. That was the evidence we had, the suggestion we had?

A. I am afraid I shall have to disagree with the other witnesses, then.

BY MR. HANSARD:

Q. Supposing it was put on the basis that it was the lowest price which tends to be adopted; could you answer that?

A. Yes, that is right. The lowest price would tend to be adopted. But Mr. Godfrey used the word 'invariably'.

Q. And you say that is not so?

A. Not invariably, no.

BY MR. GODFREY:

Q. But that it would be ---

A. Generally I would say it was true; but there are definite exceptions, and here is one right here."

(Evidence, p. 1428)

Mr. Smith was referring to a letter dated June 21, 1948 from W. H. Aird of Howard Smith to the Toronto branch in which Mr. Aird stated it had been decided not to put delivered prices into effect in Vancouver, which would have meant the absorption by the mills of some part of the distribution and cartage charges. Mr. Aird continued:

"We were quite prepared to go ahead on this basis, but Eddy's and Rolland's were not and Ivan Moffitt has been advised to this effect. Our attitude is that if the others are not in favour of the idea at the present time, we are not going to make a major issue out of it or force it down their throats.

. . . "

(HS 75-2B)

At the time of the general change in mill prices of fine papers in April 1947, Howard Smith checked its price lists with some of the other companies making similar grades of fine paper. Reporting to W. H. Aird on April 28, 1947 on a check which he had made of Eddy's price list, J. L. Patenaude of Howard Smith listed several differences which he had found between Howard Smith's and Eddy's price lists. At the conclusion of his report, Mr. Patenaude wrote:

"No doubt some understanding will have to be arrived at between E. B. Eddy and ourselves and we possibly will hear from you in due course as to what adjustments, if any, are to be made on price sheets."

(HS 112-3K)

When Mr. Patenaude was questioned during his evidence as to the meaning of this paragraph, he said:

"A. . . . However it does not mean what it implies, certainly.

Q. What does it mean, then?

A. It means that the prices will have to be made competitive.

. . .

A. . . . That is what I mean. Either the Eddy Company have made a mistake in their calculations, and have come out at the wrong price, or we have made a mistake and have come out at the wrong price.

Q. And you would have to check with the Eddy Company and find out which one had made the mistake?

A. I don't know. What Mr. Aird did, I don't know. The suggestion I made to Mr. Aird -- it might not be followed. He is my superior."

(Evidence, pp. 1101,2)

E. H. Smith of Howard Smith wrote to A. E. Smith of the same company under date of June 9, 1947:

"Re: Prices

In case you have not already seen them, I am attaching copies of Provincial's price list and also some of Eddy's price lists.

I think these should be compared with ours just to make sure that there are no discrepancies."

(HS 112-2E)

A Howard Smith memorandum dated June 16, 1947 lists various differences, first, between the price lists of Howard Smith and Provincial and, secondly, between Howard Smith and Eddy. Certain handwritten marginal comments appear opposite several items and in the case of two items referring to Eddy's price list, the original paragraphs and comments are as follows:

"discuss EBE Their price for the Maritime is shown as 25¢ more than Ontario and Quebec, delivered Halifax & St. John whereas we show ours as 25¢ less, F.O.B. Mill.

discuss EBE Furthermore, their Vancouver prices are a dollar less than Quebec and Ontario, F.O.B. the Mill, our Post-card is 25¢ less than Quebec and Ontario and is F.O.B. Mill."

(HS 112-2D)

The initials "EBE" can only have reference to the E. B. Eddy Company.

A general change in the price of fine papers was made at the beginning of October 1947, shortly before the adoption of the new

bracket structure for bond, ledger and writing papers. The change in prices was made largely by increasing the charges for what are known as finishing and packing operations. A common scale of such charges had been in use by fine paper mills and it was felt by the mills that the scale in effect at the time of de-control did not reflect changes in costs which had taken place. Discussions were carried on among Eddy, Provincial, Rolland and Howard Smith to arrive at a new scale of charges. According to witnesses, at least one meeting was held among the mills in connection with such discussions. At this meeting, which was held in Montreal, proposals put forward by various mills were considered and details of them are shown on Eddy memoranda prepared in connection with such discussions. On one of these memoranda, dated September 25, 1947, which set out the current charges and a Proposal "J", there have been inserted a scale of charges indicated as Eddy Proposal and a further scale headed "EHS Agreed" (EEB 16-5). The initials "J" may be taken as indicating Mr. Jewett of Provincial and "EHS" as E. H. Smith of Howard Smith. In his evidence describing the discussions on the new scale of finishing and packing charges, Mr. Earnshaw said:

"A. . . . Here was a new idea. Customers paid for what they wanted and did not pay for what they did not want. The man who does not want those costly services buys it at a most favourable price. Approaching this new idea, it meant that we could not recover our full cost for sheeting, and we are not doing so today. It meant, 'How far can we go', taking into account what we should like, and what our customers can absorb, without radical changes, and what are the cost factors of other mills? We invited discussion on the cost factor in presenting the idea and, just as I have said, we agreed on the principle on another proposal, that was good. It was seen that this was good in principle. Now, the fact that there is 'Proposal "J"' on that document means to me that somebody else looked into their cost figures, and they expressed their opinion regarding what could be obtained, and what they thought they wanted to apply to their customers, and that cost factor was discussed at those meetings.

Q. And did you not as a result of those meetings come out with all the same prices for finishing differentials?

A. I am quite satisfied that as a result of the last meetings at which they were discussed and better prices were put into effect, that people left that meeting knowing what the prices would be; but they would be the lowest that any particular mill wanted to go.

Q. That is not borne out by this document, Exhibit 67,

where in some cases the 'J' proposal is less than the decision eventually made. The 'J' proposal for re-winding is, for example, 50 cents, and the Eddy proposal was 50 cents, and the 'EHS Agreeed' is 60 cents; and the 60 cents is what appears in the Eddy Company price list. So that does not bear out your last statement, does it?

A. It might be that somebody influenced us in our thinking.

Q. To pitch it up another 10 cents?

A. Possibly."

(Evidence, pp. 929,30)

Mr. Earnshaw said later in his evidence that the 60¢ charge for rewinding was decided upon in order to keep a balance between super-calendered paper in sheets, which would be subject to an up-charge of 60¢ for sheeting and packing, and super-calendered paper in rolls which is rewound.

As the adoption of the new scale of finishing and packing charges serves to illustrate the manner in which agreement was reached among the mills, it is of some interest to compare the various proposals insofar as they are shown on the Eddy memorandum referred to above and the rates which were put into effect about the beginning of October 1947. These are as follows per cwt.:

	<u>Previous Charges</u> ¢	<u>Proposal "J"</u> ¢	<u>Eddy Proposal</u> ¢	<u>Agreed EHS</u> ¢	<u>New Rates</u> ¢
Sheets in Unprotected Bundles	25	50	75	(Sheeting 30 (Unprotected (Bundles 30	30
Packing (Skids)	(Book-no chg.) (Bond-allow- ance 15)	25	-	(Skids 2000 (lbs. and (over 30 (Skids under (2000 lbs. 45	30
Packing (Protected Bundles)	Book - 25 Bond - 40	40	40	45	45
Packing (Board Bundles)					45
Packing (Frames)	-	25	-	45	45
Packing (Cartons)	-	40	-	45	60
Packing (Cases)	40	40	75	75	60
Supercalendering	50	50	50	50	50
Rewinding	-	50	50	60	60
Trimming (1 or 2 sides)	15	25	20	20	20
Trimming (3 or 4 sides)	25	35	30	30	30
Sealing	25	-	25	25	25

R. H. Ecclestone of Rolland in his evidence made the following comment on the adoption of the new scale of charges for differentials in the fall of 1947:

"A. I don't recall any particular meeting, but that was the regular thing to do. We discussed it. It would not be a book and writing meeting, but it would be a meeting where we discussed things of that nature.

Q. And you say ---

A. I would feel very free to discuss with other mills such questions of charges.

Q. And it would be fair to say that at the final meeting before the announcement was made of these new prices, you would all know what you were going to charge, ---

at the end of the meeting?

A. For these differentials?

Q. Yes?

A. Yes.

Q. And they would always be the same for each mill?

A. Yes. We agreed on those.

(Evidence, pp. 1613,4)

The use of a common basis of pricing on the part of the fine paper mills is indicated in correspondence between Provincial and Howard Smith after the change in prices in the fall of 1947. On November 25, 1947 H. M. Sharp, sales secretary of Provincial, wrote as follows to Mr. Patenaude of Howard Smith:

"Would you be good enough to check one of the new prices for me? This is for Featherweight and Column 'E' is \$10.10.

We have made an error on one of our sheets and I believe the correct figures for the other columns are as follows - D, \$10.65; C, \$11.15 and B, \$11.80.

Your assistance in this matter will be greatly appreciated."

(PLT 48-2B)

In a reply dated November 26, Mr. Patenaude wrote:

"Referring to your letter of November 25th, the prices shown for B, C, D brackets are correct.

Very glad to check this for you, and any others at any time."

(PLT 48-2A)

Following a change in mill prices in March 1948, the Winnipeg office of Howard Smith found that the price for its brand of railway manilla paper was lower than that of other brands and the following letter was sent to the Montreal office in regard to the difference under date of March 24, 1948:

"The price in 'E' bracket is \$12.40 cwt, whereas we understand Mid-West have a price on Express Manilla of \$12.80 and Commercial Manilla of \$12.80 cwt.

Will you please advise if by any chance our price is wrong."

(HS 97-1D)

Mr. Patenaude of Howard Smith replied on March 31:

"The price for Railway Manilla should be \$12.80 in the 'E' bracket.

We are getting the changes made on the sheet and this will be reissued within the next few days."

(HS 97-1C)

In a postscript to Mr. Aird, Mr. Patenaude explained that the discrepancy arose because of the use of the freight rate from Port Arthur as this grade had been made by Provincial at its Port Arthur mill.

A further letter of April 7 from Howard Smith's Winnipeg office reported that Eddy had changed its price as well so that the position was reversed with Howard Smith's price being now higher (HS 97-1B). Replying to this letter on April 16, Mr. Patenaude wrote:

"I was waiting to discuss this with Mr. Aird before replying to you. However, I have not been able to see him, but in any event upon checking with Provincial, we find that the price list of the Prairie Provinces should have been as first issued; which is proven by the fact that Eddy's have gone back to meet our original price of \$12.40 in the 'E' bracket.

New price sheets will be issued within a day or two."

(HS 97-1A)

Further changes in mill prices on a uniform basis were made in March 1948 and in the latter part of May and first part of June in the same year. Announcements of these price increases by the mills were made on different dates. E. H. Smith, president of Howard Smith, stated in evidence ". . . somebody thought it would look better if you staggered them" (Evidence, p. 1417).

It was generally admitted by representatives of the mills who appeared at the hearings that before there was a change in mill prices in the post-war period, the amount of the increase was the subject of discussion among the interested mills. However, it was contended that although each mill could make changes in its price lists, knowing that changes by other mills would be the same, there had been no agreement on basic prices but only an indication of each company's policy. The outcome of the discussions among the mills on price changes is described as follows in the evidence of W. S. Kidd, president of Eddy:

"Q. Did you discuss what you proposed to increase your prices, how much?

A. Yes.

Q. And by the time you left that meeting did you know what the other mills were going to do, and did you decide what your mill was going to do?

A. I would not say that we knew definitely what we were going to do or that we knew definitely what the other mills were going to do.

Q. You had a --

A. Pretty good idea after a complete discussion of the costs.

Q. Subsequent to these meetings when you came definitely to your own conclusion would you get in touch with the other mills to find out definitely what they were going to do?

A. I never have, I do not know whether anyone else has or not.

Q. Would you consider it necessary to do that?

A. I would not think so. There might be cases where there were some unusual grades.

Q. In other words, it would not be necessary because the thing would be more or less settled at the meeting which had been held?

A. In general, the feeling of the different people was evident.

Q. Before you left that meeting did you all arrive at the fact that you were all going to make a uniform price increase?

A. Before we left the meeting it was assumed, yes, I think out of the discussion that the increase would

--

Q. Be the same?

A. Be the same."

(Evidence, pp. 812,3)

That such discussions among the mills resulted in a common price being arrived at, though such price might be lower than some of the parti-

cipants wished, is indicated by the following evidence of R. H. Ecclestone, sales manager of Rolland:

- "Q. At those meetings would you not say, 'If that is what you are going to do, that is what we will do, too,' and tell them that you were going to do it?
- A. I would say that we would probably have to follow them, and we always have. And, frankly, it is not our desire at any time to be out of line in connection with prices, with other mills. We do not think it is good business for us, or that it is sound business for anybody. And I think it is a good thing for everybody that prices are uniform.
- Q. At those meetings you could assure the other mills that your price would be the same as theirs?
- A. They would expect it. We would not assure them of it.
- Q. It would probably be taken for granted?
- A. Yes, probably taken for granted.
- Q. Because of the long course of dealing, is that fair to say?
- A. If Provincial was going to put up the price of book paper, put it up a quarter of a cent a pound, and we did not like it, that is what he is going to do, whether we like it or lump it. That is all. But we have always followed it.
- Q. But on those occasions, if you felt that it should be higher, would you not try to persuade them to put it up higher?
- A. We would tell them, 'We think you are crazy' -- that it should be more than that, if we so felt.
- Q. And would they, on occasions, listen to that?
- A. I would say they might be influenced by what we said, yes.
- Q. On occasions?
- A. Yes.
- Q. And might make their price a bit higher than they had originally proposed, as a result of representations by you?

- A. They might be influenced by what we would say.
- Q. And is it true that on occasions they have actually been influenced?
- A. I would think so, yes.
- Q. You can recall that there were such occasions -- and I am not asking for specific ones -- but you can recall that there were such occasions?
- A. I would say that they have been influenced by the discussions.
- Q. So that the original proposals which they would present at the start of a meeting would not necessarily be the one that would come out at the end?
- A. Not necessarily, no."

(Evidence, pp. 1638,9)

IV. Arrangements Among Fine Paper Mills Respecting Discounts,
Classification of Customers and Special Prices

Discounts, where allowed, are of course a component of prices and the mills were in agreement upon this component. Moreover, since the mills sold direct to different classes of customers under different prices and conditions of sale, and since it was their policy to try to restrict the uses to which certain papers would be put, certain refinements became necessary if price uniformity was to prevail. If, for example, a discount was agreed upon for certain classes of paper sold to envelope manufacturers, it then became necessary to agree on the customers to whom such special price would be given, if variation in practice was to be avoided on the part of individual mills. Again, if a special price was established for a class of paper, such as register stock, which might be substituted for other grades, it then became necessary to agree on the purposes for which such stock would be supplied and the customers to whom it would be sold.

(a) Discounts

The following extract from a letter of May 22, 1936, written by E. H. Smith of Howard Smith to the Winnipeg office of the company in regard to a variation in the price of envelope paper, illustrates a general policy of agreement upon discounts:

"For your confidential information, it was ascertained that Rolland, due to an error, have been quoting a carlot discount on 25 ton shipments to Pioneer (Pioneer Envelopes Limited). This was not in accordance with the proper price, as no carload discount applies to anyone in B. C. Rolland had promised to discontinue quoting the carload discount a week or 10 days ago, but when I received your wire I checked up with Mr. Ecclestone (of Rolland) to make sure that this was being done. He told me that their man was in Vancouver at present and that he had written him sometime ago to this effect, so I think you will find that Rolland will now quote exactly the same price that we do."

(HSW 28-16A)

The various discounts agreed upon by the mills fall largely into three classes, one consisting of over-all discounts on purchases by particular classes of customers, another forming part of the price structure for particular classes of paper, such as the discounts under the bracket structures for book paper and bond paper, and a third constituting special prices. Some of the arrangements have remained unchanged for lengthy periods, others have been modified when a new pricing basis has been established. The minutes of September 5, 1935 of a committee of the Book and Writing Section, appointed to review conditions governing the granting of discounts, listed the following discounts or special prices then being granted by the mills:

- "1. Loyalty Discount
- 2. Quantity discount
- 3. Book Quantity Discount
- 4. Envelope Trade Discount
- 5. Book Paper Special 2 $\frac{1}{2}$ % and 5%
- 6. Carload prices on Exercise Book, Stationery, Envelope Papers
- 7. Publishers Text Book
- 8. Machinery Houses
- 9. Lithographers"

(HS 25-15)

The loyalty discount agreement will be described in some detail later in this report. At the time this inquiry began the arrangements relating to the payment of this discount were similar to those described in a memorandum of Howard Smith dated September 18, 1944 as follows:

"Loyalty Discount is a 5% allowance given bi-monthly to merchants, converters and envelope manufacturers on certain grades and under certain conditions. The names of customers who normally qualify for the discount are shown on page 37-90 of our price book and the grades subject to Loyalty Discount are listed on pages 37-91 to 37-91E of our price book.

Loyalty Discount becomes payable after we have been advised by W. J. T. Adamson the names of the customers who have qualified for the particular period under review. The discount is not to be paid to any individual customer for any period unless that customer's name is included on Adamson's list for the period under review.

..."

(HS 10-3)

Customers entitled to loyalty discount had to make application through a firm of chartered accountants employed by the mills, W. J. T. Adamson & Co. of Montreal, and report importations of paper made by them during the period. Mr. Adamson in his evidence (Evidence, pp. 976,8) stated that he mailed forms on which importations were to be reported to a list of firms and that when replies were received he would abstract the information as to importations and send a statement to the mills, namely, Alliance, Canada Paper, Don Valley, Eddy, Howard Smith, Provincial and Rolland (Evidence, p. 988) who were asked at the same time if they had any objections to the applications. When replies were received from the mills, Mr. Adamson would send out a list showing the firms for whom loyalty discount had been approved. The details of loyalty and quantity discounts had been handled directly under the Book and Writing Section prior to 1940, but the Executive Committee of the C.P.P.A. took the position that such matters should not form part of the functions of the Association and in November 1940 it was arranged to have them handled by Mr. Adamson. The arrangement with Mr. Adamson was continued until 1950, after the time when this inquiry began. In May 1950 Provincial informed Mr. Adamson that his services in

connection with the discount arrangement would no longer be required and similar action was taken by other mills. On the abandonment of the joint arrangements for handling applications for discounts, the mills carried on such discounts on an individual basis.

Prior to 1940 quantity discounts based on aggregate purchases from all the mills for one year were allowed, to the merchants only, on a smaller range of papers than that covered by the loyalty discount. These quantity discounts, under separate arrangements, were allowed on one group of papers including bond, ledger and writing papers and on a second group made up of book papers and were known as the quantity discount and as the book quantity discount respectively. When the change was made in 1940 to a bracket structure of prices for book papers, the mills discontinued the book quantity discount, but the quantity discount on other grades was carried on through the medium of W. J. T. Adamson. The arrangement with respect to quantity discount is described as follows in the price list of Howard Smith, dated October 1, 1947:

"Quantity Discount"

Quantity discount is a special type of trade discount granted by the mills to the paper merchants only. It is graduated according to the amount of the individual merchant's purchases from all mill combined. The names of customers who normally qualify for the discount are shown on page 37-90 sheet 5 of our price book and grades subject to this discount are listed sheets-00M in each section. A master copy of all grades subject to Loyalty Discount is on file in the Statistical Department.

Quantity discount is payable annually after we have been advised by the Can. Pulp & Paper association through W. J. T. Adamson the names of the customers who have qualified and the rate of discount which they have earned. The discount is not to be paid to any individual customer unless that customer's name is included on Adamson's list and unless Adamson has advised us of the rate to be paid.

To qualify for this discount a merchant must purchase during the year under review from all mills combined, not less than \$35,000.00 worth of goods. Purchases of \$35,000.00 qualify a merchant for a discount of .5% and every \$7,000.00 which he purchases over this amount increases his rate of discount by .1% until he has reached a rate of 2.5% which is the maximum.

Example:

Total Purchases	Discount Earned
\$35,000.00	0.5% (Minimum)
42,000.00	0.6%
49,000.00	0.7%
56,000.00	0.8%
etc.	
175,000.00 or over	2.5% (maximum)

Method of Computing Quantity Discount:

- (1) Every two months from the sales analysis punch cards the M.O. Statistical Department accumulate the value of grades subject to Quantity Discount sold to each merchant customer.
- (2) From this amount is deducted the Loyalty Discount and the net figure is reported to the customer who is asked to advise whether or not this agrees with his records.
- (3) At the end of the year we report to Adamson the sum of these sales for the year to each customer.
- (4) Adamson then advises us the rate of Quantity Discount which each customer has earned.
- (5) We then apply the rate of discount reported by Adamson for each customer to the value of our sales to that customer as reported to Adamson, and issue the customer a credit note for the amount earned."

(Volume VI, Sheets 2,
2-A, p. 37-90)

It will be seen from the foregoing that the rate of quantity discount paid by an individual mill did not depend on the volume of purchases by the merchant from that mill, but on the total volume purchased from all mills combined. It is obvious that one effect of the system was to give the merchant the same rate of discount from each mill regardless of the value of paper purchased from an individual mill.

The manner in which loyalty and quantity discounts were dealt with established clearly that they were matters of agreement among the mills. The references to them and other discounts in the Book and Writing Section minutes and in other documents show that in the case of such discounts, modifications of the arrangements have commonly been discussed and agreed upon by the mills. A letter of January 11, 1937 from W. H. Aird of Howard Smith's Toronto office to E. H. Smith of the same company referred to certain problems arising in connection with the payment of loyalty discount to certain accounts. With reference to one account the letter stated:

" . . .

With regard to Copp Clark Company, we have eliminated the Loyalty Discount on Offset Paper, last year their Marquette Envelope was on a net basis, although the price that was fixed was based on deducting both the Loyalty and Envelope Discount, and authorized by the other Mills. . . .

. . ."

(HS 25-11J)

In March 1937 a committee representing the merchants apparently made representations to the mills for the restoration of quantity discount on litho papers which had been withdrawn previously. A meeting of representatives of merchants and mills was held on March 23, 1937 and the minutes state:

" . . . "

The mills agreed that as on and from April 1st 1937 Quantity Discount will be granted on Litho Papers to paper merchants but no Special Discount on 5 and 10 ton lots.

" . . . "

(HS 7-18)

The following decisions recorded in the Book and Writing Section minutes indicate agreement on the basis on which loyalty and quantity discounts would be granted:

June 17, 1937:

" . . . "

LITHO AND LOYALTY DISCOUNT

It was agreed that Loyalty Discount be effective on shipments after May 1st, 1937.

" . . . "

June 28, 1938:

" . . . "

After discussion, it was agreed that the quantity discount arrangement applicable to manilla writing paper would become effective as of June 1st, 1938.

" . . . "

On March 30, 1937 H. Crabtree of Howard Smith wrote to E. H. Smith under the subject "Mid-West Paper Sales - Quantity Discount". His letter concluded:

"It would be necessary, however, before anything is done, no matter how we feel, to take the matter up with the other Members of the Section and get their approval of any step we may take."

(HS 25-10)

The adoption of the bracket pricing structure for book papers by the mills at the beginning of 1940 involved the abandonment of the system of quantity discounts on book paper previously followed. One inter-office memorandum of Howard Smith, dated January 5, 1940, stated:

"As and from January 1st, 1940, the Book Quantity Discount will be discontinued entirely.

. . ."

(HSW 31-2)

Another Howard Smith memorandum of the same date made the following reference to a change in the basis on which loyalty discount would be granted:

"In future, the Loyalty Discount on Book Paper will be allowed on trimming, packing and other differentials which have previously been quoted on a net basis. This change has been found necessary due to the revised re-sale prices on Book Paper."

(HSW 31-3)

The minutes of a meeting of the Book and Writing Section, held on February 27, 1940, record:

" . . .

LOYALTY DISCOUNT:

Ruling on Loyalty Discount was made as follows:-

ON BOOK PAPERS:

Loyalty Discount on Book Papers applies on the delivered price and on packing and trimming and on all differentials for colours, light weights and fancy finishes.

ON BONDS, WRITING & STATIONERY PAPERS:

Loyalty Discount on bonds, writings and stationery papers applies on the base delivered price but not on packing and/or trimming charges where they are shown as extras.

. . ."

The introduction of a new scale of discounts for litho papers in January 1940 followed discussions among the interested mills. In a letter to B. Ellison of Eddy on January 19, 1940, G. A. Davidson of Howard Smith wrote with reference to a meeting:

" . . .

. . . I believe this memorandum covers fully the subjects which came under review and the conclusions reached at that time.

. . . "

(EBE 58-3)

A scale of discounts applicable on sales of litho papers to merchants was one of the matters covered by the memorandum. The scale was 10 per cent for Category B, $7\frac{1}{2}$ per cent for Category C, 5 per cent for Category D and 3 per cent for Category E. Marginal notes on the memorandum opposite this scale read "new suggestion January 25/40" and set out a scale of 15 per cent, 10 per cent, 6 per cent and 3 per cent. This appears to be the scale which was adopted, as G. A. Davidson in a letter of January 29, 1940 to the Winnipeg office of his company wrote:

" . . .

MERCHANTS WILL BUY LITHO PAPER AT THESE BOOK PAPER RESALES
AND BE ALLOWED 3% ON 'E'
6% ON 'D'
10% ON 'C'
15% ON 'B'

. . . "

(HSW 31-6C)

Apparently from this time on loyalty discount was no longer allowed to merchants on their purchases of litho papers.

Mr. Ellison pointed out certain inconsistencies in the use of this scale in a letter dated February 1, 1940 to Provincial and Howard Smith. His letter to Mr. Jewett of Provincial read:

"Merchants' Prices on Litho Label"

We notice a little mix-up on the prices of Litho Label to merchants. A one-ton lot bought by a merchant would be charged by us at \$8.25 per cwt. less 15%, or \$7.01 net. A $2\frac{1}{2}$ -ton lot purchased by a merchant would be charged by us at \$7.85 per cwt. less 10%, or \$7.06 net.

The ton price under classification 'B' is less than the $2\frac{1}{2}$ -ton price under classification 'C'.

Will you give us the answer to this one at your convenience?

. . . "

(EBE 59-7A)

Mr. Jewett replied on February 9 that as the bulk of sales of this class of paper was direct to the user he did not think this was a very important matter, but it should be kept in mind for adjustment when a change had to be made.

The trade discount on envelope papers to approved envelope manufacturers was maintained for a considerable period at 5 per cent but the conditions under which it was granted and the classes of papers to which it applied were subject to review from time to time by the interested mills. After 1939 some such decisions were incorporated in what were known as "Green Memos" which were notices sent, independently of minutes, by the secretary of the Book and Writing Section (Evidence, p. 1022) to the mills, and were intended to record matters on which agreement had been reached among the mills. One such notice to "Book and Writing Mills", described as "Memo No. 6" and dated August 6, 1940, reads as follows:

"OFFSET, BOOK AND TEXT PAPERS PRICES TO ENVELOPE MANUFACTURERS"

Our memorandum of April 4th, 1940 reads as follows:-

'Sale of Offset, Text and Book Papers made to Envelope Manufacturers at Merchant's list price net; no Loyalty Discount allowed.'

This should now be changed to read:-

'Offset, Text and Book Papers sold to Envelope Manufacturers should be charged at the regular list price, in any bracket in which the order may fall, and that the Trade discount allowed to merchants be given, but not the Loyalty Discount.'

(ROL 2-1)

This notice was replaced by Memo No. 61 dated May 27, 1943 which contained the same wording as the revision of August 6, 1940 with the following addition: "On Litho Papers no discount is allowed".

The special discount of 5 per cent to envelope manufacturers was described briefly in the following terms in the Book and Writing Schedule of November 29, 1938:

"A special trade discount of 5% is granted to any legitimate Envelope manufacturer as per the list of names agreed upon.

The following grades are not subject to this 5% trade discount:

Linen Finish
Envelope Manilla
Duplex Envelope"

(EBE 42-6A)

Revisions of the conditions governing the discount appear in a series of green memos, beginning with Memo No. 25 of March 31, 1942, which was followed by Memo No. 64 of October 27, 1943, Memo No. 66 of November 27, 1943 and Memo No. 67 of February 22, 1944. In a letter of December 1, 1943 to E. H. Smith of Howard Smith, G. A. Davidson made the following comment in referring to Green Memo No. 66:

" . . .

It is my understanding that those who purchase Bond Paper subject to the trade discount as allowed to Envelope Manufacturers do not get the quantity discount because only the loyalty discount is paid to Converters and the extra trade discount to Envelope Manufacturers only.

I believe that this has always been well understood by all mills".

(HS 38-1C)

Writing to Mr. Davidson on December 3, 1943, Mr. Smith suggested certain changes in Memo No. 66 to deal with points which he thought were not fully covered. Mr. Davidson replied on December 8 and enclosed a re-draft of Memo No. 66 which he intended to table at the next meeting to clarify the matter.

The continuation of the special discount on bond papers sold to recognized envelope manufacturers was apparently considered in connection with the establishment of the new bracket structure on bond papers in 1947. The memorandum prepared by E. H. Smith of the conclusions reached at a meeting on January 30, 1947 contains the following:

" . . .

The Section should also decide whether the special Trade Discount of 5% granted to envelope manufacturers under certain conditions will be continued on Bond Papers.

. . ."

(HS 56-10)

The special trade discount on bond papers was apparently not discontinued at the same time as the bond bracket structure was introduced in October 1947 as a Howard Smith memorandum dated September 29, 1948 and headed "Policy to Follow Effective September 28, 1948" contains the following among the matters dealt with:

" . . .

The 5% Trade Discount allowed to Envelope Manufacturers on the purchase of Bond Paper in Envelope sizes is to be discontinued.

. . ."

(HS 59-1)

There was a meeting of the Book and Writing Section on September 28, 1948 which was attended by representatives of Eddy, Howard Smith, Provincial and Rolland. Mr. Patenaude, who prepared the foregoing Howard Smith memorandum and who attended the meeting as one of the representatives of Howard Smith, stated in evidence that while he could not recall every item, "a lot of these items were brought up, mentioned, especially all those which refer to trade customs" at meetings of mill representatives (Evidence, p. 1135).

Changes in the trade discounts on book and litho papers were made in October 1947 when the packing and finishing differential charges were revised. Memoranda relating to these changes are found in Exhibit 67, which consists of two Eddy documents, the first of which bears the date September 25, 1947. The second, headed "Statement II", sets out new scales of discounts for book and litho papers and contains this explanation:

" . . . "

Trade discount to merchants will be allowed on base price of paper only and will not apply on differentials.

To compensate, trade discounts will be increased by 1%.

. . . "

(EDE 16-5)

That such a scale of discounts was put into effect not only by Eddy but by other mills making book and litho papers is indicated in a copy of a letter dated October 4, 1947 from Hodder & Moffitt, Toronto, apparently circulated among Prairie Merchants, which contained the following:

" . . . "

In figuring ex-warehouse on Book Papers, it has to start from the price of rolls and then build up with extras for sheeting, packing, trimming, etc.

The roll price and the colour extras only, are subject to both trade and loyalty. Other charges carry loyalty only.

To compensate, discounts have been changed, so that merchant now will get:

	<u>Plain Book Grades</u>	<u>S.C. & E.F. Litho</u>
1 Ton	(10% (9%))	15% (14%)
2½ "	Plus (5% (4%))	10% (9%)
5 "	Loyalty (3% (2%))	7% (6%)
18 "	Loyalty Only	4% (3%) No. Loyalty

. . . "

(BARK 19-1)

Another adjustment in the discounts on quantities of less than one ton which is stated to have been made on an agreed basis is referred to in the following letter, also dated October 4, from Ivan Moffitt to D. Williamson of the Winnipeg office of Hodder & Moffitt:

"On some book paper lines, the mill will supply to merchants in less than 1 ton lots, charging it out at the Eastern merchant's 1 case resale, less trade and loyalty discounts and plus freight to Western points.

It was intended that the net return to the mill should be approximately 25¢ cwt more on 1 case than on 1 ton lots. For years it has been mixed up on the basis that was used, subject to 24% on plain papers and 20% on coated papers.

In fixing up the Eastern mark-up schedule it was found this case lot could be brought closer to balance by making the discount to merchants 22% instead of the 24% on plain and 20% on coated. The mills have agreed.

Actually it will make no difference to the Western merchants as on any lines (coloured book, text, etc.) which can be bought at the case price, the resales are based on the case price less discounts and regular mark-up added. The change in the discount means no loss to the merchant, therefore, as the ream and broken lot prices carry mark-ups on the net figure whether the discount is 24% or 22%.

It would be well to explain this to the members at a convenient opportunity, as some may feel the mills are cutting down on us. The fact is the 24% rate always was wrong and, as it was proposed by us in the first place, we readily concur in the adjustment now made."

(BARK 19-1A)

(b) Classification of Customers

The arrangements among the fine paper mills with respect to special discounts on the sale of special classes of paper involved agreement as to the firms who would be regarded as eligible under each arrangement. In the case of the loyalty discount and quantity discount arrangements, formal procedures were adopted to maintain uniformity of practice among the mills. Applications for loyalty discount were submitted to each mill for approval and the final list was made up after the approval of each mill had been given. Under the quantity discount arrangement, information for each customer entitled to such discount was submitted by the respective mills to Mr. Adamson, who prepared the list setting out the rate of discount which should be given to each customer.

The loyalty discount was granted to merchants, converters and envelope manufacturers who were jointly approved by the mills. The following record appears in the minutes of the Book and Writing Section for January 22, 1935:

" . . . "

Application was made by Le Comptoir National to be placed on the Loyalty Discount list for 1933 and 1934. It was decided to grant this application for 1934.

" . . . "

Conditions of sale, including prices and firms to be supplied, with respect to mimeograph paper have been matters of joint arrangement among the fine paper mills from time to time. Book and Writing Section minutes of March 27, 1935 state under the heading "MIMEOGRAPH AND MACHINERY HOUSES":

"It was agreed that the National Stationers be added to the list of machinery houses. . . ."

The following reference to mimeograph paper is contained in the minutes of September 4, 1935:

" . . . "

Discussion took place on the complaint that others than machinery houses were obtaining mimeograph papers on the same basis as machinery houses.

The secretary was instructed to inform Mr. Moffitt that so far as is known no sales have been made to firms such as he mentions and that the mills understand by 'machinery houses', such firms as actually sell duplicating machines and supplies.

" . . . "

The minutes of the same Book and Writing Section meeting also record:

" . . . "

It was moved and carried that Mimeograph Sales Co. of Canada Ltd. be added to the list of machinery houses.

" . . . "

Register stock, a bond paper used by business form manufacturers, is another type of paper in regard to which the mills sought to agree on the firms to whom such paper would be sold. Howard Smith and Eddy appear to have been the mills most interested in establishing an agreed list of register stock purchasers. Writing to E. H. Smith of Howard Smith on December 31, 1935, E. Clarke of Eddy stated, "We have no objection to confining our sales of Register stock to those accounts who are definitely in the Register business", but he mentioned one firm which he thought should be accepted as being in the register business (HS 43-1N). He went on in his

letter to say that if this firm was so regarded "We are quite prepared not to sell Register stock through merchants". In a letter of February 5, 1936 to J. F. Taylor of Eddy, E. H. Smith wrote:

"I have just received a reminder from Mr. Cadman, that you and I are to line up a list of firms who are privileged to buy Register Paper.

• • ."

(HS 43-1F)

Restriction of the sale of register paper is indicated in a letter of December 14, 1936 to the Winnipeg office of Howard Smith in which E. H. Smith referred to the discontinuance of the sale of register paper to Systems Equipment Ltd. of Winnipeg (HSW 28-22). Apparently this firm was not making forms but using this paper for some purpose for which a more expensive grade was ordinarily sold. In a reply dated December 22, H. S. Ramsay of Howard Smith's Winnipeg office indicated that the customer was not pleased at being unable to purchase register paper and stated "though I pointed out that if we continued selling them it would be just breaking down a grade and eventually we would have to supply all the other printers with the same grade". In concluding his letter, Mr. Ramsay wrote:

"I am glad to see that the Eddy Paper Co. have stated they will discontinue selling Bulman Bros. register stock".

(HSW 28-21)

Systems Equipment Ltd. apparently had two establishments, one in Toronto and another in Winnipeg. The following reference to this firm appears in Book and Writing Section minutes of January 26, 1939:

• • .

Following discussion it was agreed that Systems Equipment be added to the (register stock) list. A revised list will be sent out to all mills.

• • ."

In a list dated March 7, 1939 (HS 66-1G) the name of Systems Equipment, Toronto, was included but on May 23, 1939 E. Clarke of Eddy wrote to A. E. Cadman (EBE 63-7A) to ask whether it would be possible to act on an application to have Systems Equipment Ltd. of Winnipeg added to the list of converters in advance of the next meeting. In a reply dated May 25, Mr. Cadman stated that the matter should be put before all mills (EBE 63-7). Green Memo No. 11, dated October 7, 1940, has the heading "Register Stock Purchasers" and lists eleven firms, including "Systems Equipment, Toronto, Winnipeg".

Reference has been made previously to the special discounts granted to recognized envelope manufacturers. For a considerable period, such

discounts included the loyalty discount of 5 per cent and a trade discount of 5 per cent on paper used for making envelopes. It has already been explained that the acceptance of firms to whom loyalty discounts would be granted was a matter of joint arrangement among the mills. Arising out of discussions of proposed amendments to the loyalty discount agreement, consideration was being given in 1938 to a change in the system of discounts applying on sales to recognized envelope manufacturers. In a letter to H. F. E. Kent of the Gage company, dated October 1, 1938, E. H. Smith of Howard Smith wrote:

" . . . "

. . . Therefore, I have regretfully come to the conclusion, with which I think you agree, that so far as this price spread is concerned, we cannot do better than our present system, and the only change that I feel should be made would be to provide additional protection to the recognized envelope manufacturer by stipulating that no firm would be recognized by the mills as an envelope manufacturer until they had purchased for envelope use, paper to the value of at least \$20,000 in one year. If this were done, it would make the small recognized envelope manufacturer's price 5% plus 5% (or 9.75%) below the price charged to the unrecognized firm attempting to make envelopes, and the large buyer like yourself would have approximately \$5.00 per ton additional protection. This seems to me to be about as far as we could go but, of course, even this would have to receive the approval of the other mills.

" . . . "

(HS 10-19K)

The additional protection of which Mr. Smith spoke was embodied in the Book and Writing Schedule, dated November 29, 1938 (EEE 42-6) in a provision that buyers of envelope paper in carlots of 20 tons should get a discount of \$5.00 per ton.

The following comments on discounts to envelope manufacturers were contained in a letter of December 19, 1938 from E. H. Smith to A. E. Cadman:

" . . . "

As you know, the Envelope Manufacturers have been agitating to have the Mills protect them against small Envelope Manufacturers by requiring that in order to qualify for both the Loyalty and Trade Discounts, an Envelope Manufacturer must purchase at least \$25,000 worth of envelope paper per annum. They have also insisted that the Mills protect the Envelope Manufacturers against the regular paper jobbers by giving the Envelope Manufacturers a special Trade Discount.

" . . . "

(HS 10-18A)

Minutes of the Book and Writing Section for January 26, 1939 contain the following reference to the matter:

" . . .

Mr. Smith stated that the envelope manufacturers had revamped the suggested regulations for Loyalty Discount in such a way as to nullify the proposals to a considerable extent. If this question is to be proceeded with some decision must be made.

A committee of Messrs. Smith (chairman), Jewett, Ecclestone, and Taylor was appointed to meet before the next meeting of the Section and discuss this matter.

. . ."

The report of the Committee is described as follows in the minutes of March 7, 1939:

" . . .

Mr. Smith reported on behalf of the Committee in regard to the Loyalty Discount and Envelope Manufacturers. The Committee recommended that the changes suggested by the Envelope Manufacturers be not concurred in except that which set the qualification for an envelope manufacturer as one whose purchases of paper amounted to \$25,000 a year which was agreed to provided that no one at present recognised was affected.

. . ."

In his evidence E. H. Smith stated that the purpose of the regulation was to protect established envelope manufacturers from the competition of basement envelope makers who would pick up a second-hand machine and sell envelopes at prices which would seriously disturb the prices of the established manufacturers. He replied as follows to a question as to the purpose of setting up a figure for annual purchases in order to qualify for discounts on envelope paper:

"Q. It was really put in to protect established business against new entrants into the field?

A. Not exactly that. If someone came along and built an envelope plant and said, I am going to put in envelope machines here and I am going into the envelope business, a real envelope manufacturer, he would have got his loyalty discount before he ever established his \$25,000; but it was to give them protection against this fly-by-night type of competition that it was discussed, and I guess it was done."

(Evidence, pp. 1462,3)

It is not entirely clear whether the condition was considered as being \$20,000 or \$25,000. A. E. Cadman wrote to Eddy on February 9, 1939:

"The Provincial Envelopes Co. Toronto asked that they be placed on the Loyalty Discount list and it was agreed that their request be granted if they fulfil the necessary conditions.

According to the Loyalty Discount regulations they must be bona fide Envelope manufacturers and purchase paper to an amount of not less than \$20,000 per annum.

..."

(EBE 64-11A)

The following reference to Provincial Envelopes Co. appears in Book and Writing Section minutes of April 19, 1939:

" . . .

The secretary was instructed to write the Provincial Envelopes Co. that the amount of their purchases of envelope paper does not qualify them for Quantity Discount.

..."

The position of Provincial Envelopes Co. is referred to again in the Book and Writing Section minutes of February 22, 1944, which state:

" . . .

A letter was read from Provincial Envelope Company stating that their purchases of envelope paper for twelve months 1943 amounted to over \$20,000.

..."

The name of Provincial Envelopes Co. appears in Green Memo No. 72 of the same date which sets out "List of Envelope Manufacturers Who Qualify for Trade Discount". On February 29, 1944 Mr. Adamson wrote to Provincial Envelopes and said:

"I am given to understand that your Company is now to be placed on the Loyalty Discount list in view of the amount of your purchases of envelope paper.

The procedure to be followed in this regard is as follows:-

..."

(AD 3-1)

A circular, dated October 31, 1938 and signed A. E. Cadman, gave the names of eight firms on a "Register Stock List" and asked that the sender be notified "if this list is not in agreement with your list". The following notice was contained in the circular which had been marked "Not for your files":

"It has been suggested that the name of T. Eaton Co. Ltd., Winnipeg be added to this list. This will be for consideration at the next meeting of the Section."

(HS 14-3C)

The Winnipeg office of Howard Smith, under date of September 15, 1938, had prepared a quotation covering register stock for the Eaton company (HS 10), but the letter carries the handwritten notation "Withdrawn".

The following year, on October 4, 1939, E. Clarke of Eddy wrote to A. P. Jewett of Provincial as follows:

" . . .

As apparently the other Mills are not desirous of selling Eaton's Register Paper, or of adding their name to the Register Stock List, we have decided in future to sell them Plain #7 Bond in Winnipeg, in rolls, on the basis of the regular schedule price, plus the extra for narrow rolls, if required, and we would ask your co-operation in quoting on a similar basis.

Howard Smith and Rolland, we understand, are also cooperating with us to this extent."

(EBE 75-5B)

In a reply dated October 5, 1939, Mr. Jewett wrote:

"We have your letter of the 4th, with regard to Register Stock in Winnipeg and we will, of course, co-operate.

As I understand the matter, this paper has been sold in the past to the Supply Department in Winnipeg and we do not ordinarily do any business with them. Our transactions are with the Printing Department direct for the Mail Order Catalogue."

(EBE 75-5A)

Mr. Jewett was questioned in regard to this letter and his evidence contained the following:

"Q. . . . What do you mean by that? What does that last paragraph mean?

A. Again evasive action.

- Q. Would it be fair to say that you led the other mills to believe that you were and would co-operate, but that you actually did not?
- A. Well, I know we did not. I do not remember this particular instance. We did not co-operate with any-one with respect to this particular business. As a matter of fact, for all practical purposes we make no register paper, which is really a bond paper grade anyway.
- Q. The words that strike me in that letter are the words 'of course'; taken for granted. They are your own words. 'We will, of course, co-operate.'
- A. We say, 'of course', but we do not follow it through.
- Q. I am not suggesting that you do, but what that suggests to me is that the other mills certainly thought you were co-operating and you were conveying that impression on the surface that is what you did, no matter what you might have done?
- A. Possibly so.
- Q. I suggest to you, therefore, that there was actually agreement amongst you that you did co-operate?
- A. No."

(Evidence, pp. 736,7)

The register stock list prior to 1940 did not contain the name of Bulman Bros., Winnipeg. G. A. Davidson of Howard Smith wrote to the Winnipeg office of the company on June 22, 1940 indicating the point of objection to a particular sale of register stock:

" . . . "

It is not the fact that the Eddy Company sold Register stock to Bulman Bros. but that they sold Register stock which was used for the printing of a catalogue which is not a Continuous Register System.

. . . "

(HSW 27-15)

E. H. Smith of Howard Smith was questioned as to the purpose of the register stock list. He said that register stock is a specialized paper for the production of continuous forms and while made for that particular purpose, it could be put to other uses. In his evidence he said, in part:

"A. The grade is only made for continuous forms people. To the best of our knowledge that list shows people who make continuous forms, and therefore buy this paper. We will not sell it to others.

• • •

A. The necessity for the list is simply to show the people who make continuous forms in Canada, and to whom we would normally expect to sell this. If someone starts up a business, someone who is not on the list, there is no trouble about getting it. They can get there, and get it. . . ."

(Evidence, pp. 1456,7)

The name of Bulman Bros., Winnipeg, was contained in the list of Register Stock Purchasers shown in Green Memo No. 11 of October 7, 1940, and the minutes of a Book and Writing meeting held on October 1, 1940 record that "at the request of Mr. Clarke the name of Bulman Bros. was added to the Register Stock List."

The policy of the Eddy Company in selling register paper is referred to in a company memorandum written by B. Ellison to E. Clarke on October 31, 1941. Mr. Ellison listed eleven firms entitled to buy register bond at register stock prices and instructed that no such orders for firms not on the list were to be passed (EBE 85-30). He pointed out that register stock prices had been given to certain firms not included in the list and added "This is strictly irregular and please see that this condition is corrected".

Interest in the use to which direct buyers of fine papers might put their purchases is indicated in a letter written by N. E. Wainwright of Don Valley to W. S. Kidd of Eddy on February 8, 1939. Mr. Wainwright said that there were some matters of concern, among which:

"Is the Ticket Stock that you sold to Laminated Papers and which Mr. John Taylor explained to me was sold in rolls. This is more or less cleared up, except that I think that we should control the sale of any product that we sell to the converter and have it understood that they are not to use the stock for purposes that are apt to upset the market in general, i.e. the purchase of Laminated Papers of Ticket Stock, in rolls, which they cut up into sheets and sell through the Kruger Paper Company at a lower price on account of the difference, in weight."

(EBE 70-2)

Similar interest is shown in a letter of April 14, 1941 which B. Ellison of Eddy wrote to E. H. Smith of Howard Smith in regard to the sale of full size sheets to printers by a direct buyer in Western Canada. In his letter, Mr. Ellison wrote:

" . . . "

It has been my understanding that we fine paper mills sell to Willson Stationery Company as Converters only and that in no sense is it our intention to support these people as fine paper Merchants.

I am quite prepared to enforce a ruling upon these people that they are not to re-sell to the printing trade and that they are to buy as Converters only, provided such a ruling is agreeable to you and you are prepared to also enforce a similar rule.

I am sending copies of this letter to Messrs. E. Howard Smith, R. H. Ecclestone and Arthur P. Jewett, and would ask that they kindly, in replying, send copies to the above parties as well so that we may all be au courant with this correspondence.

" . . . "

(EBE 57-3A)

In a reply dated April 15, Mr. Smith said:

" . . . I fully agree with you that it is not the intention of the mills to support these people as Fine Paper merchants.

We will be only too glad to work with you and the other mills in an endeavour to have this practice discontinued, and I would suggest that this matter might be discussed after adjournment of the next meeting of the Book and Writing Section, which I believe is called for Tuesday of next week."

(EBE 57-3)

In his evidence Mr. Smith said that he did not think that any effective action was taken to prevent this customer from dealing in paper. Commenting generally on converters handling paper, Mr. Smith said:

"A. . . . about thirty per cent of our paper goes through paper merchants. The paper merchants, so far as we are concerned, are the most economical method we have been able to find of getting paper to the small and widely spread out printers. Now, if you have converters buying paper from us for their conversion process, and buying an extra ton, and then going out and peddling that around at any old price at all, how could we expect to maintain a proper merchant in a healthy position so that he could do a job in the distribution of our products? Therefore, when we sell paper for a conversion purpose it is for that purpose. . . ."

(Evidence, pp. 1451,2)

A. E. Smith of Howard Smith, writing to Mr. Aird on January 21, 1947 about changing the listing of a firm in the company's list of accounts to whom the sale of register stock was restricted, said that before doing so he thought he should refer the matter to Mr. Aird "as I believe this is something you probably have to clear with the other mills before we definitely do this" (HS 78-1D).

The matter of the sale of register paper continued to appear in the record of discussions among mill representatives. In an inter-office letter of March 10, 1947 to W. H. Aird, E. H. Smith of Howard Smith dealt with the possibility that a merchant might try to secure some business for register paper and expressed the opinion that it would be a mistake for any mill to sell register stock to a merchant (HS 78-1F). In his letter he suggested that Mr. Aird might "have a talk with the other mills with a view to making sure that no one slips".

An inter-office letter of March 11, 1947 in reply to the foregoing contained the following:

" . . . "

You will note that it is planned to discuss at the next meeting the point that Register Stock should not be sold through the Merchants.

" . . . "

(HS 78-1C)

Reference has already been made to Exhibit 91, which consists of a memorandum prepared by E. H. Smith summarizing conclusions reached at a meeting of representatives of Howard Smith, Rolland and Eddy on January 30, 1947 when the bracket price structure for bond papers was being considered. The memorandum contains references to various classes of customers recognized by the mills, among which is the following reference to machinery houses:

" . . . "

Machinery houses as listed by the Book and Writing Section will be sold Mimeograph Paper on the present basis as outlined in Green Memo 55.

NOTE: This machinery house set-up and the list of machinery houses should be reviewed by the Section.

" . . . "

(EBC 29-4A)

Green Memo No. 55 is dated March 23, 1943 and replaced Memo No. 41 of September 9, 1942. Both memos set out prices and conditions of sale for mimeograph papers when sold to converters, merchants or machinery houses. and, in addition, Memo No. 55 has a list of machinery houses.

Mr. Smith's memorandum also referred to converters, envelope manufacturers and continuous form manufacturers and stated in each case that the list of firms should be checked by the Section.

The system of securing joint approval for the list of firms to be granted loyalty discount was continued until the services of W. J. T. Adamson were dispensed with in 1950. In 1947 the name of W. G. Evans was added to the list of envelope manufacturers to whom the loyalty discount would be given. In a letter written to each of the mills on June 24, 1947, W. J. T. Adamson asked whether Mr. Evans' application was acceptable. By July 4 each mill had replied saying, in effect, either that it approved or had no objection (AD 1-13B to I).

The removal of a firm from the list of those accepted for loyalty discount is indicated in a letter of September 30, 1948 from Howard Smith to W. J. T. Adamson. After stating that the list of applications was approved, the letter went on:

"However, please delete from the list of applications the Beveridge Supply Co., Limited."

(AD 1-2)

Mr. Adamson submitted the revised list to Eddy with a letter dated October 9, 1948 in which he said:

"The applications for Loyalty Discount for the months of July and August 1948, as per the attached list have now been approved by the Mills concerned.

It is, therefore, in order to issue the usual credit notes."

(EBE 5-5)

In the list accompanying this letter the name of Beveridge Supply Co., Ltd. had been scored out. At the foot of the list the following note appeared:

"At the request of one of the mills, the name of Beveridge Supply Co., Ltd. has been deleted from this list."

(EBE 5-5A)

The following reference was made in an inter-office letter of Howard Smith dated October 14, 1948 to the deletion of Beveridge Supply Co., Ltd., from the loyalty discount list:

"Please find attached, list of subject customer's that have applied for Loyalty Discount for the period of July-August/48.

We have checked, in black, all customers receiving Loyalty Discount for the period, from Howard Smith Paper Mills Ltd.- and all customers entitled to the Discount have applied.

Beveridge Supply, deleted from attached list, had subject sales of \$58.23; they will lose approximately \$3.00 from us.

... ."

(HS 95-1A)

The deletion of Beveridge Supply Co. Ltd. from the list probably had little or no significance in itself, having regard to the amount of its purchases, but it is of some significance in illustrating the working of the loyalty discount arrangement.

The question of keeping the name of Bulman Bros. on a list for register stock was raised in an inter-office letter of Howard Smith dated May 1, 1947 (HS 112-3H). The following direction was given in a company memorandum of May 5, 1947:

"Please leave Bulman Bros' name on the Continuous Form list until such times as I determine from other Mills, whether they should be listed or not. . . ."

... ."

(HS 112-3E)

On July 20, 1948 Eddy wrote to Rolland stating that a copy of the price list for register paper was being enclosed (ROL 14-1). At the head of this list which is dated June 1, 1948 there is a statement that register paper "may be sold to the following continuous form manufacturers only" (ROL 14-1(2)). The names of ten firms are contained in the list.

(e) Special Prices

Special prices established by fine paper mills may be classified, in the main, in three ways. One class would consist of special prices arranged among the mills for special customers, types of paper or special occasions. In a second class would be special prices established by one mill for particular accounts which other mills would not solicit or would not solicit upon the basis of better prices. In the third class would be so-called "open accounts" but the available evidence indicates that there were relatively few occasions on which the trade of firms regarded as "open accounts" would be actively sought on a price basis. In general, customers to whom special prices were given by one mill would tend to be recognized as being in the second class described above.

One of the more formalized arrangements for special prices was established to provide for the sale of paper for the publication of text books. E. H. Smith of Howard Smith said in evidence that the granting of a special price had been worked out by his company and then accepted by the other mills. The special price for text book paper, which was referred to as a drawback or allowance, was first established when the duty on imported text books was removed and Canadian publishers of text books then faced the competition of duty-free books, although paper remained subject

to customs duties. In his evidence Mr. Smith said that the allowance on paper used to publish text books in Canada was granted to permit Canadian publishers to meet such competition as, in the absence of such action, publishers would have pressed for the removal of customs duties so that they could import paper duty free for such purposes.

The arrangement among the mills, under which the special price for text book paper was allowed, required the publisher, until after this inquiry had commenced, to file an affidavit which contained the following stipulation:

"It is my (our) understanding that 'authorized text books' means books which have a place on the official lists of text books for public, high, and normal schools issued by each of the provinces, and which, to the extent of at least 80 per cent of the total edition sold, are used as texts in the schools of one or more of the provinces.

It is a condition of this allowance being granted that no paper shall be imported for the purpose of printing authorized text books and by this affidavit I declare that no imports of paper have been made by me (us) for this purpose since September, 1934."

(AD 202-1)

The application for the allowance was not made directly to the mill supplying the paper but, in the earlier years, the applicant submitted the affidavit to the Canadian Pulp and Paper Association and, from 1940 until May, 1950 to W. J. T. Adamson who dealt with this arrangement as well as with the loyalty and quantity discounts.

It was stated that under the arrangements, which provided for a common rate of allowance among the mills, the allowance was available to any publisher in respect of paper used in the publication of recognized text books. Nevertheless from the nature of the arrangement it is evident that one object was to confine the allowance to firms jointly acceptable to the mills. This is borne out by early references to the granting of the allowance. G. A. Davidson of Howard Smith wrote to the Winnipeg office of the company on January 18, 1935 that the text book arrangement was confined to a list of publishers and stated:

" . . .

. . . This list has been approved by all mills and on no account is any mention of this arrangement to be made to other than the firms appearing on this list.

". . ."

(HSW-33-2A)

The following reference to the arrangement is contained in the minutes of the Book and Writing Section for January 22, 1935:

" . . . "

PUBLISHERS' AFFIDAVIT FORMS:

The members agreed that no new names should be added to the list of text book publishers before such names had been submitted to the meeting and approved.

" . . . "

It will be remembered that it was not the paper for the printing of text books which was admitted free, but only text books themselves. This meant that the arrangement had the effect of putting the publishers who were on the list in a preferred position over those who were not.

Other arrangements as to prices have applied to sales to certain other classes of publishers. In a letter of September 27, 1935 to W. H. Aird of Howard Smith's Toronto office, E. H. Smith suggested that Mr. Aird might discuss publishers' prices with Mr. Jewett of Provincial. In his letter Mr. Smith said:

" . . . "

These publishers prices are certainly a great nuisance and I wish we could get rid of them altogether. Possibly you and Mr. Jewett will be able to work out some better basis for them than the one under which we are presently operating.

" . . . "

(HS 57-3Q)

Writing to Mr. Smith on September 28, Mr. Aird said that the next time Mr. Jewett was in Montreal he planned to discuss the whole publishers' price situation with Mr. Smith (HS 57-3P).

Arrangements with respect to the sale of paper to publishers through merchants were referred to in a letter of December 29, 1939 from A. E. Cadman to B. Ellison of Eddy, in which he wrote:

"At the last meeting of the Book and Writing Section it was agreed that all sales of paper to publishers now being sold through merchants, together with the sale prices and rates of discount allowed to the merchants shall be reported to the secretary.

It was further agreed that such sales shall be only for magazines which enjoy second class postal privileges and that no sales be made through merchants to any publications not on the present list until the proposed addition has been discussed at a meeting of the Section."

(EBC 50-17)

Minutes of the Book and Writing Section of February 27, 1940
record:

" . . . "

The lists of publishers buying direct or through merchants had been received by the secretary. It was agreed that these should not be distributed but that when the occasion arose the mills could call the secretary for any desired information.

. . . ."

The adoption of a scale of discounts covering the sale of certain grades of paper to publishers using 250 tons or less is shown as taking place later in 1940. In a letter dated June 21, 1940 to A. E. Cadman, with copies to B. Ellison (Eddy), A. P. Jewett (Provincial), R. H. Ecclestone (Rolland) and E. H. Smith (Howard Smith), G. A. Davidson writing as chairman, Book and Writing Section, stated:

"Reference the memo handed the writer in Toronto
'SECTION 1 GENERAL' Special Book, Offset etc., I notice on
page 2 that it states

'Publishers of magazines will be sold at the Trade
Price less \$1.00 per cwt. in any quantity'

Then below it specifically outlines \$1.00 on S.C. and 75¢ per cwt. on E. F. grades 1 and 3 only. It seems to me that the paragraph first mentioned is contradictory with the actual and this should be rectified.

""

(LBE 49-3)

At the conclusion of his letter Mr. Davidson referred to "our meeting called for the 25th".

The details of publishers' prices are set out in an Eddy document which read as follows:

"Effective June 25th, 1940,

BOOK AND WRITING MILLS

PUBLISHERS' BUSINESS:

Publishers of magazines and trade papers using 250 tons or less will be sold at list price in any quantity bracket under which the individual order falls, provided that the name of each magazine be clearly shown on each order, and that the magazines so shown do actually enjoy second-class mailing privileges, less

the following allowances:

\$ 1.00 per 100# on S.C.) On numbers 1 and
.75 per 100# on E.F.) 3 Grades only

On No. 4 Grade 25¢ off S. C. price; nothing off E. F.

The following firms are sold at open prices:-

MacLean Publishing Company - Toronto
Consolidated Press - Toronto
Magazine Digest - Toronto
Poirier & Bissette - Montreal
Stovel & Company - Winnipeg

. . . "

(EBC 85-17)

The same details, excepting the list of open accounts, are given in Green Memo No. 4 which bears the date June 25, 1940.

The sale of paper for publications through a merchant was referred to in a letter of August 6, 1943 from Provincial to J. R. Booth Limited. After setting out the basis of pricing in such cases, the letter stated:

"On the other hand, there has been an understanding that no additional publications would be covered by this arrangement unless cleared through the section, and I think this latter qualification has been fairly well followed of late."

(PLT 17-2)

Many references appear in the documents to the exchange of information among mills as to the prices charged particular accounts in order to lessen the possibility that one mill would offer a lower price than that established by another. In some cases the information related to the prices which would be quoted by one mill on a sale direct to the user of paper; in other cases the information would be about prices arranged to be quoted by the distributor for the mill. It was information of this latter kind which gave rise to some discussion involving Howard Smith's Winnipeg office in the fall of 1937. This office had been informed by W. H. Aird in a telegram of September 17, 1937 that there had been an enquiry for approximately five tons of alkali proof paper and that Mr. Aird had talked to Provincial and that the price would be \$6.50 per cwt. (HS 22-11 I). This information was apparently passed on by the Winnipeg office of Howard Smith to one of the company's distributors. Provincial's distributor then complained (HS 22-11H) that proper use had not been made of the price information and Provincial passed the complaint on to Howard Smith (HS 22-11G). In a letter to the Winnipeg office on October 1, 1937, E. H. Smith wrote:

" . . . "

. . . Price information of this nature that we get from our competitors is really very confidential and if any of them feel that when they tell us about an order there is any likelihood of our going out and quoting on it before we actually receive the inquiry, they will naturally refuse to discuss things of this nature with us, which will make it much more difficult to keep prices in line.

As a matter of fact, I would say that unless any new price that you received in this way was in the nature of an increase, there should be no need of saying anything to your customer about it at all - simply wait until he asks you what the price is.

" . . . "

(HS 22-11A)

E. H. Smith wrote in a memorandum dated October 23, 1937 that he had checked with Mr. Jewett and learned that Provincial's price to a particular publisher was \$5.25 (HS 30-15). The memorandum went on to indicate that Howard Smith would use the same price if it were asked to quote.

A special price on register stock is referred to in a letter of November 8, 1937 from E. H. Smith to A. E. Cadman, in which Mr. Smith wrote:

"As you know, we set up a special 50 ton price on Register Stock at the meeting held in September. If I remember correctly, we reported to the last meeting that this price had worked out in a satisfactory manner with our customer, and that they had discontinued importing the No. 2 sheet which we were afraid would disturb the Canadian market, and which was the reason for our setting up a 50 ton price.

" . . . "

(HS 7-7)

The price to be quoted on paper for Winnipeg public schools is referred to in a number of documents extending over the period from 1937 to 1941. On May 27, 1937, G. A. Davidson of Howard Smith wrote in an inter-office letter to H. Crabtree that he had instructed Mr. Aird to withdraw a quotation as a result of certain discussions which had been held on the previous day and Mr. Davidson then listed prices which would be applicable on paper for Winnipeg public schools (HS 20-1W). A further company memorandum of May 31 written apparently by H. Crabtree indicated that all mills were in agreement (HS 20-1U) and Mr. Davidson, writing on the same day, in what may be a reply, stated:

" . . . The price as given in my letter of the 27th was arranged by all mills and we are quoting on that basis,- Rolland, Provincial, Eddy - Howard Smith. . . ."

(HS 20-1T)

In the following year E. H. Smith of Howard Smith wrote to H.F.E. Kent of W. J. Gage & Co. Limited on May 6, 1938 listing certain prices and asking Mr. Kent to let him know if the suggested prices for paper for Winnipeg School Board were satisfactory "so that I can get it lined up with the other mills" (HS 20-1P). On May 9 E. H. Smith wrote to G. A. Davidson asking him to let him know if the other mills have agreed to the prices (HS 20-1N). On this memorandum there is a notation with the date June 3, "these prices had been arranged with the other mills". The establishment of prices for the Winnipeg Public School Board in 1939 is referred to in a letter of April 22, 1939 from E. H. Smith of Howard Smith to H.F.E. Kent of the W. J. Gage company. In his letter Mr. Smith confirmed certain prices which had been previously discussed with Mr. Kent and stated:

"I may say that the other mills agreed to quote these prices on this business should they receive an enquiry."

(HS 20-1K)

Arrangements with respect to the Winnipeg Public School contract in 1940 are discussed in a letter of April 25, 1940 which E. H. Smith wrote to E. Clarke of Eddy, with a copy to R. Ecclestone of Rolland, and which sets out prices and conditions of sale (HS 20-1H). Mr. Smith said in his letter that he understood the arrangements were satisfactory to Eddy and that they had already been confirmed with Provincial.

A letter of April 26, 1941 from E. H. Smith to H.F.E. Kent of the Gage company lists prices which would be quoted on paper for Winnipeg public schools (HS 20-1D). A handwritten note on the copy of this letter reads, "discussed with Rolland and Eddy Apr. 26 and with Jewett Apr. 28 all agreed".

When Mr. Smith was examined on the foregoing correspondence, he said that the Howard Smith company had had the business of supplying the paper through the Gage company for some time. He gave the following evidence in reply to a question as to the purpose of the arrangements among the mills:

- "Q. That means that if some other converter decided that they might quote on it, you wanted to make sure they could not quote less than your customer, the Gage Company?
- A. Not only that, but to make sure that the converters quoting it were starting on an equal basis. . . ."

(Evidence, p. 1437)

Co-operation by way of checking with Eddy before Howard Smith put in a quotation on Stone Straw paper was indicated in an inter-office letter of October 14, 1938 from E. H. Smith to W. H. Aird (HS 55-17B). At the conclusion of his letter Mr. Smith wrote, "I would like to show a co-operative spirit by making sure that we do not cut the Eddy Co.'s price or conditions of sale". In a reply dated October 18, Mr. Aird wrote that he had secured information as to prices from Eddy and that Howard Smith would go in "on the same basis" (HS 17-17A).

Sometimes there has been question as to whether one mill has disclosed fully information as to its prices when requested to give such information by another mill. In a memorandum of March 20, 1939 E. H. Smith wrote that he had telephoned Mr. Clarke of Eddy and sought information as to Eddy's prices to a particular account so that both mills could quote on the same basis (HS 55-15E). Another Howard Smith memorandum of March 23 recounts that on February 21 Mr. Davidson of Howard Smith had sought from Eddy information as to its prices in a particular case and that E. H. Smith had secured further price information from Eddy on March 8 (HS 55-1G). This is followed by a memorandum dictated by E. H. Smith on March 31 in which he reports that he discussed the matters with Mr. Kidd of Eddy and found that Eddy's prices were not the same as those previously given. Mr. Smith stated in his memorandum that he had told Mr. Kidd that he felt that "if Eddy Company were going to change their price, Mr. Taylor should have told me". The memorandum concluded:

"Mr. Kidd told me that he was very sorry that I had been incorrectly advised in both these instances and he would do his utmost to see that it did not happen again."

(HS 55-14)

Discussion between R. B. Hall of Canada Paper and J. F. Taylor of Eddy on the price of a grade of paper called government postcard is contained in correspondence at the end of 1938. Writing to Mr. Hall on December 15, 1938 (EBE 79-1), Mr. Taylor indicated that a price of \$8.50 per cwt. which had been given in a letter of December 12 (EBE 79-14) from Mr. Hall would be satisfactory.

On December 16, 1938 E. Clarke of Eddy wrote to G. W. Pauline of Alliance telling him that Eddy had quoted a price of \$6.30 per cwt. to a merchant for a particular grade of manilla paper (EBE 72-2B). In a reply dated January 3, 1939 Mr. Pauline said he was quite in accord with the price named by Eddy (EBE 72-2).

In a letter of February 7, 1939 to A. E. Cadman, E. Clarke of Eddy asked for information as to the prices of book paper for publishers (EBE 64-12). In his reply of February 9, Mr. Cadman wrote:

"Prices on publishers' book paper have never been included in the schedule; they are arranged as between the mills . . .

. . ."

(EBE 64-12)

On receipt of this letter Mr. Clarke wrote to A. P. Jewett of Provincial on February 10 asking "what prices are in effect at the present time?" (EBE 75-6A). In a reply of February 13 Mr. Jewett wrote:

" . . . the whole setup is so tricky that rather than attempt to give this data to you in a letter I would appreciate you or Mr. John Taylor taking this up with me at the next meeting when I can explain this better verbally."

(EBE 75-6)

From time to time mills would exchange information as to special prices when it appeared that conditions might be favourable for the discontinuance of some price concession. In a letter of December 29, 1939 to E. H. Smith of Howard Smith, E. Clarke of Eddy wrote that a discount of 5 per cent on eye-saving bond paper was being allowed by Eddy to one account because of the belief that Howard Smith was giving a similar discount (HS 55-9C). Replying on January 2, 1940 E. H. Smith said that this was not the case but that Howard Smith did permit this account to order in lesser quantities than 2 and 3 tons (EBE 58-1B). E. Clarke then indicated in a letter of January 3, that in future Eddy would charge the account the regular price (HS 55-9A).

E. H. Smith wrote to E. Clarke of Eddy on December 29, 1939 sending a list of prices to be quoted the Dominion Government and stating that the prices had been checked with Peter Rolland and were satisfactory (EBE 73-2). The letter in Eddy's files bears a handwritten note to the effect that Eddy would agree to the prices. A further letter of January 23, 1940 from J. B. Larkin of Howard Smith to E. Clarke of Eddy contained a list of prices for litho paper for the Department of Public Printing and Stationery which were said to have been arrived at in consultation with Provincial (EBE 58-5B). In a reply on January 29 Mr. Clarke said that there had been a meeting of the Book and Writing Section and that a change had been made in the set-up for litho papers (EBE 58-5A). Mr. Larkin wrote to Mr. Clarke again on February 9 enclosing a list of prices which he said were based on the new set-up (EBE 58-5).

In a Howard Smith memorandum of January 23, 1940, E. H. Smith wrote that certain prices had been arranged for paper for a particular catalogue and that he had spoken to Mr. Toy of Provincial "about all these prices and he agreed that if he received enquiries he would not quote without speaking to me" (HS 30-13).

A. P. Jewett of Provincial wrote to E. Clarke of Eddy on July 11, 1940 and listed certain prices which Provincial was quoting to T. Eaton Company. In regard to these prices, Mr. Jewett said in his letter:

" . . .

We would greatly appreciate your respecting these figures in the event that you should be asked to quote."

(EBE 59-5A)

Replying on July 12, Mr. Clarke wrote:

" . . . We shall be glad to respect the prices referred to in your letter should we be asked to quote on this business."

(EBE 59-5)

Discussions and arrangement among various mills with respect to the price of sulphite manilla paper for the Canadian National Railways are shown in documents for several periods. In a letter of July 29, 1940 to A. P. Jewett of Provincial, E. Clarke of Eddy listed prices for this grade of paper which were stated to be agreeable to Eddy (EBE 59-4C). Mr. Clarke went on to say that he was advising Mr. Pauline of Alliance accordingly. The proposals were apparently acceptable as Alliance replied on July 30:

" . . .

We are quite in accord with your suggestion, which confirms my conversation with Mr. Jewett, of the Provincial Paper Limited.

We will accordingly establish these prices until further notice."

(EBE 59-4)

The following year, on July 29, 1941, A. P. Jewett of Provincial wrote to E. Clarke of Eddy about quoting C.N.R. manilla paper on a price prevailing basis (EBE 56-2C). Replying to this letter on July 30, Mr. Clarke said that he had been in touch with Norman Fair of Booth's who had discussed the matter with Mr. Smith of Howard Smith and both mills were prepared to make the price firm for sixty days (EBE 56-2B). In a further letter on August 1 Mr. Clarke wrote that while Alliance had decided to quote on a "price prevailing" basis, Booth had already quoted a price firm for sixty days (EBE 56-2).

In an office memorandum of February 2, 1941 to B. Ellison of Eddy, E. Clarke referred to steps being taken to protect Eddy's bid on a parliamentary print tender. (EBE 38-4). Mr. Clarke wrote that Mr. Winlow of J. R. Booth Limited had indicated that he would protect Eddy's price and that Mr. Smith of Howard Smith "would protect our price through Alliance, and also inform Provincial what we were doing, and would ask them also to protect our price".

E. H. Smith of Howard Smith informed the Toronto office of the company in a letter of February 11, 1941 that he had checked with Mr. Ellison of Eddy in regard to the price quoted for a particular order. Mr. Smith wrote:

"After talking to you this afternoon I called up Mr. Ellison and told him that we had quoted \$7.05 plus 15¢ for trimming side and end and Mr. Ellison confirmed that that was the price his Company had put in.

" . . ."

(HS 9-3B)

In a reply of February 12 from Howard Smith's Toronto office it was stated that Mr. Jewett of Provincial had been telephoned and it had been learned that Provincial had not quoted a lower price (HS 9-3A).

A. P. Jewett of Provincial wrote to E. H. Smith of Howard Smith on February 16, 1942 giving information on Provincial's prices for paper for a particular publication and stating in regard to Howard Smith quoting to another publisher:

" . . .

. . . I think you could do so without interference from us and would suggest that you keep us posted as to what you are doing."

(PLT 13-12)

Replying to this letter on February 17, E. H. Smith wrote:

" . . .

I will gladly keep you posted as to what we are doing and greatly appreciate your co-operation."

(PLT 13-11)

Prices to buyers of register stock were the subject of correspondence between Howard Smith and Eddy in 1947. W. H. Aird of Howard Smith wrote to Norman Fair of Eddy on January 8:

"Further to our conversation yesterday, I believe that Register Stock prices are relatively the same to all Continuous Form manufacturers, dependent on the quantities ordered, less than carlots, carlots and that sort of thing.

I imagine, therefore, that the two Companies we mentioned are on the same basis, and will you let me know at your convenience."

(EHE 2-2A)

In his reply made on January 10 Mr. Fair said:

" . . .

Since my return to Hull I have checked very carefully into Register stock prices and find that our prices are exactly the same for the two companies about which we talked. . . .

. . ."

(EHE 2-2)

W. H. Aird of Howard Smith informed E. H. Smith in an inter-office letter of April 30, 1947 that he had discussed the sale of exercise paper to two accounts with Mr. Jewett who had indicated that Provincial planned to remove certain price concessions given to these two customers (HS 99-2B). An inter-office letter of May 2 from Howard Smith's Montreal office to Mr. Aird contained the following:

" . . .

This means that these two accounts will now take the regular Repton price and we will therefore cancel in the Price Book the special prices we now show for these two accounts."

(HS 99-2A)

Relationships between Howard Smith and Provincial were described in a memorandum of August 8, 1947 in which E. H. Smith wrote:

"For many years our dealings with our competitors including Provincial, have been most co-operative and it is felt that this has worked out to the best interests of both Provincial and ourselves. The following are specific examples of instances where we are presently co-operating with them.

. . .

(4) Since 1932 and even before that Provincial and Howard Smith have deliberately laid off many of each other's accounts.

" . . ."

(HS 22-3)

E. H. Smith gave the following evidence in regard to this practice:

A. The statement is correct, yes: but when I say we have laid off it does not mean that we have not quoted or have not gone after business. But we definitely have not cut their prices, and I think they have done the same with us.

Q. When you say 'have deliberately laid off many of each other's accounts' -- does not that mean that you have refrained from quoting?

A. No, we have quoted. That refers to publication business, mostly, where Provincial are the ones with the lion's share, and we had a little of it. We did not go after

their publication business very heavily, and they did not go after ours. But we quoted and in some cases we had some business from each other's account.).

- Q. Do you mean by that that when you did quote you would always quote the same price as Provincial?
- A. I made sure I did not cut their price.
- Q. When you quoted on another account?
- A. Yes, because I knew that they were getting the majority of the business.

BY MR. HANSARD:

- Q. Would you say why?
- A. Well, there was not much object in doing it. We might get business there; but all that would happen is that they would take a slap at us somewhere else. We would lose business there, and end up probably with something approaching the same amount of business, but at a lower price.
- Q. Is that the policy you adopted independently of Provincial?
- A. Well, there was not any agreement with anyone that we would do it. But I think they did the same thing with our accounts. It was independently adopted. I think that is the fair way of putting it."

(Evidence, pp. 1431,2)

A memorandum of E. H. Smith, dated August 11, 1948, deals with an inquiry by Mr. Ecclestone of Rolland as to the price at which Howard Smith was supplying paper through a merchant to a firm which had approached Rolland in regard to a car of paper (HS 47-1). Mr. Smith, in his memorandum, stated that he had given Rolland information as to Howard Smith's price to the merchant but had pointed out that he was sure the merchant would have sold at a higher price. In connection with this point, Mr. Smith had written: ". . . in any case, they (Rolland) would not quote direct."

The arrangements which have been made over the years with respect to special prices, the exchange of information when one mill has established a price to a particular account and the acceptance of preferred accounts of one mill by other mills have all played their parts in the concerted efforts made to avoid price competition in the sale of fine papers. In many cases, no specific agreement was necessary; the pattern of accepted behaviour had become so well established that each mill was prepared to rely in large measure on the confidence which had been built up through co-operation previously displayed. This did not mean that the actions were any less effective in avoiding price competition than might have been expected if, on each occasion, formal undertakings had been sought and given.

V. Other Means for the Maintenance of Uniform Mill Prices

The wide variety of grades, weights, sizes and colours in which fine papers are made as well as the finishes, forms of packing and other features which may be provided by the mill would leave room for variations in individual mill practices, which might upset the pricing arrangements, if certain arrangements to prevent this were not made. The evidence discloses that arrangements have been made among the fine paper mills to establish agreed charges with respect to many such matters and to define conditions of sale and other factors in the filling or pricing of an order. Indeed, the agreements upon these ancillary matters, which were pointless in the circumstances except for the purpose of supporting an over-all pricing arrangement, may be said to form some of the most cogent evidence in the case. Until recently the provisions relating to many of the matters agreed upon by the mills were incorporated in a publication known as "Trade Customs"; others were included in the Book and Writing Schedule; and some were set out in memoranda sent to the mills, including the series of Green Memos which was introduced in 1940.

(a) Trade Customs

In the form in which it was published prior to the time of wartime de-control, Trade Customs consisted of a schedule of charges, differentials and conditions covering such matters as trimming, packing, wrapping, weights, colours, finishes, broken packages, special fillers, gloss ink papers, deckle edge papers, fancy finishes, etc. As well as setting out charges or price differentials for such factors, Trade Customs contained provisions relating to such things as grades of paper to be made in certain classes, the conditions for the acceptance of mill orders, terms of sale, etc.

From time to time changes have been made in Trade Customs and related matters by decision of the mills. At infrequent intervals the printed edition of Trade Customs has been revised, the preparatory work usually being done by committees of the Book and Writing Section, and a new edition published. As has already been indicated, not all matters related to trade customs have been published in the editions of Trade Customs. With respect to the series of Green Memos which included some such matters, R. H. Ecclestone of Rolland gave the following description in his evidence:

"A. The green memos served the purpose in this way, that anything we felt that we should have an understanding on with regard to common practices -- price would be involved -- not basic price of paper, but what I would call the service charges -- and yet it was something that was not advisable to put in the trade customs, because the trade customs are available to anybody. The trade customs go out, and they are sent to merchants and converters and manufacturers, and to a limited number of printers -- anybody can have a copy of the trade customs -- any printer, or anybody else at all. Therefore there are some things which might correspond to

trade customs but yet which we think is desirable not to give full publicity to everybody. There are understandings we would have between ourselves as to freight charges, or service charges, or things of that nature. They were a guide to us on things of that nature."

(Evidence, p. 1592)

The significance of extra or differential charges and other complementary pricing factors is illustrated in the following excerpts taken from the evidence. In a letter to E. Clarke of Eddy on December 10, 1935, E. H. Smith said that No. 7 bond had been recently established as the cheapest grade of bond paper to be distributed through merchants and that:

"In addition to this, we have established differentials in our Trade Customs for Bond Paper in rolls, and I believe that these should be the minimum prices at which we would be prepared to take business.

. . ."

(HS 43-1Q)

For a period the published Trade Customs set out an additional service charge when a mill filled an order involving less than a full package of paper. An inter-office letter of Howard Smith, dated December 18, 1935, which contained the following, apparently had reference to the scale of charges:

"You received a circular letter from Mr. E. Howard Smith in which he stated that the Service Charge had been reduced to \$1.00.

We now find, however, that this is not correct. Mr. Smith phoned us this morning and stated that while they are endeavouring to reduce the Service charge to \$1.00, it has not yet been accepted by the other Mills, and there is a possibility that it never will be.

Please, therefore work on the old basis, viz. \$2.00."

(HS 44-1E)

The minutes of a Book and Writing Section meeting on January 30, 1936 state that the secretary was instructed to send out a notice drafted at a previous meeting, and a notice sent out by the secretary as having been adopted on January 30, 1936 contains the following:

" . . .

SERVICE CHARGE: New Service Charge to be made of \$1.00 instead of \$2.00 and enforced except for a necessary list

of exemptions as heretofore.

... ."

(HS 7-19)

An edition of Trade Customs, bearing the date November 1936, contains a provision relating to broken packages and sets out the charge as \$1.00 per package.

The matter of deckle edge sheets was considered at a meeting of the Book and Writing Section on March 3, 1938 and the minutes record:

" . . .

It was agreed that deckle edge sheets should be added to the schedule and Howard Smith and Rolland Paper Co. were asked to put this in order.

... ."

R. H. Ecclestone of Rolland wrote to John Taylor of Eddy on March 14, 1938 listing the charges made for deckle edge sheets by the Rolland company and stating:

" . . .

You will have an opportunity of checking these figures and the question can be discussed again at our next meeting."

(EBE 76-1A)

A letter of January 9, 1939 from Eddy to A. E. Cadman referred to the desirability of having the Schedule clarified with respect to the charges for embossing and stated:

" . . . we would appreciate your bringing it up at the first Meeting of the Book and Writing Section, and having the charges definitely arranged."

(EBE 64-21A)

The copy of the Book and Writing Schedule (EBE 42-6) sets out details of embossing charges and such rates were the subject of a letter from Eddy to R. H. Ecclestone of Rolland on February 7, 1939, which contained the following:

"We have just received from Mr. Cadman a revised sheet, showing the new Embossing charges, and also a revised sheet of page (23) of the Book and Writing Schedule.

Would you mind advising me if the prices referred to on pages (22) and (23) of the Book and Writing Schedule are net,

with no extras for embossing; in other words, I take it that the prices outlined on these two pages include the embossing charges. . . .

. . ."

(EBC 74-1A)

In his reply of February 10, Mr. Ecclestone stated:

" . . .

Answering your question, the prices as referred to on pages 22 and 23 do certainly include the embossing. The new embossing charges, as outlined in the revised sheet to which you refer, had been set-up to take care of large printing orders on Offset paper, and do not apply to stationery papers. In a previous memorandum, the following paragraph was included:

'These charges apply to Offset only
and not to Stationery papers'

You will note that I am sending this letter to you on a plain sheet and would suggest that you do not put it in your files but destroy it, as we should not have any correspondence with regard to prices or any reference made to a Book and Writing schedule.

May I respectfully suggest that you destroy the copy of your letter to me.

. . ."

(EBC 74-1)

The agreements with respect to practices which may be described broadly as trade customs, in addition to price differentials and extra charges, embraced such matters as the form in which or purpose for which a particular type of paper might be purchased, and the size or type of order which could be placed, including assortment of sizes or of colours. An arrangement related to the latter is referred to in a letter of October 28, 1938 from E. Clarke of Eddy to A. P. Jewett of Provincial, in which Mr. Clarke stated:

"You will remember that it was agreed some time ago to discontinue packing Poster in assorted colours. We are informed that in the Maritimes some of your Poster is still being sold in assorted colours. We have been asked to meet this condition but have declined to do so.

If this report is correct, will you be good enough to arrange the discontinuance of the sale of assorted colours in the Maritime territory.

. . ."

(EBC 81-3)

Mr. Jewett's reply, dated October 29, contained the following:

" . . . "

We wish to assure you that since agreeing to discontinue the sale of assorted colors we have made no sales thereof whatsoever and any paper of this kind being offered now must be from unsold merchants' stocks.

" . . . "

(EBC 81-2)

Various forms of packing of mill shipments were provided for under Trade Customs with certain variations in charges depending upon the type of packing. The matter of packing of envelope paper is referred to in the minutes of a meeting of the Book and Writing Section held on January 26, 1939 in the following way:

" . . . "

It was agreed that all mills would adhere strictly to the regulations laid down in the Trade Customs in regard to packing of envelope papers.

" . . . "

Toward the end of the year at a meeting held on November 29, 1939 the following addition to Trade Customs was approved:

" . . . "

Standard grades will be packed cases, protected bundles or on skids.

On standard grades which are regularly packed in protected bundles or cases and where the packing is included in the price, unprotected bundles cannot be supplied, exception:- converting grades, No. 5 stationery, embossed linen finish, No. 4 linen finish, envelope grades.

" . . . "

This change may have been the one referred to in an inter-office letter from the Winnipeg branch of Howard Smith on March 18, 1940 which, after referring to certain prices being charged by merchants, went on, "it started when the mills took away the unprotected bundle allowance of 20¢ cwt and it meant instead of making their Loyalty Discount plus 20¢ for unprotected bundles they were only making the Loyalty Discount" (HSW 26-46).

The merchants then decided they were going to put an upcharge of 25¢ cwt. on three ton quantities.

Removal of one of the exceptions to the packing regulations was arranged at a Book and Writing Section meeting on April 4, 1940. The minutes record:

" . . . "

It was decided that envelope grades shall not be supplied in unprotected bundles.

. . . "

This change was referred to in an inter-office letter of Howard Smith, dated the following day:

"The question has arisen recently as to the exception of packing Envelope grades in unprotected bundles.

Please be advised that this matter has been reviewed by the mills and that in future Envelope Paper can only be packed on skids, cases or protected bundles and that the use of unprotected bundles in envelope grades will not apply.

The reason for this is that the price structure basis is built up on cases, skids or protected bundle packing.

. . . "

(HSW 27-12)

Several amendments to Trade Customs were discussed and approved at a meeting of the Book and Writing Section on May 22, 1940. Included were a scale of charges for cores, a charge for making papers suitable for the use of gloss ink printing and a revised scale of charges for tints and colours.

The restrictions upon the assorting of colours in one order are illustrated in a letter of June 25, 1940 from Howard Smith's Winnipeg office to the Montreal office in regard to an enquiry for offset paper:

"There is a misunderstanding in this connection and possibly the fault is mine. Mrs. Sinclair called me up and asked me if we could mix colors in the 500 pound bracket and without giving it as much thought as I should have I told her I thought we could do this. No doubt she wrote Provincial telling them Howard Smith Paper Mills were accepting orders for 500 pounds, several colors.

After receiving your letter I checked into this and find the 500 pound bracket is definitely one item and we will be guided accordingly here.

. . . "

(HSW 27-16)

A regulation governing the mixing of grades in the making up of weight of an order for the application of quantity prices was passed at a Book and Writing Section meeting on October 1, 1940. The minutes state:

" . . . "

Following discussion it was moved and carried

'that no mixing privileges will be allowed in book, litho or offset papers; each of these grades is separate and no grade may be mixed with either of the others.'

" . . . "

More detailed provisions as to mixing privileges were set out in Green Memo No. 10, dated October 4, 1940.

Green Memo No. 17, dated March 14, 1941, provided that exercise book papers were not to be sold to merchants in recognized bond paper sizes and that if conversion sizes (i.e., large sheets for cutting) were sold the name of the customer to whom the paper was being resold was to be shown on the order. The purpose, of course, was to prevent the cheaper exercise paper from being sold for other purposes, e.g., as a writing paper. E. Clarke of Eddy, in a letter of August 11, 1941 to E. H. Smith of Howard Smith, thought that the provisions of the memo might be revised in view of the classification of exercise book paper as a writing paper (EBE 87-11A). E. H. Smith in a reply of August 13 said:

" . . . "

It seems to me that the real test is the use to which the paper is to be put. Personally, I would be very suspicious of a converter's order for 17 x 22 - 40M, as I think that that size is unlikely to be used for conversion. However, it is quite possible that it might be so used and if the mill is able to satisfy itself that the use is for a genuine conversion job, I do not see that any harm can be done by supplying the paper. If on the other hand the mill is at all suspicious that the customer is going to substitute it for a writing paper, then I think they should definitely refuse to supply it and in such a case, I think it might be as well to warn the other mills just to make sure that nobody else slips up."

(EBE 57-11)

The practice of holding the size of untrimmed sheets to the size actually ordered was referred to in a memorandum of Howard Smith dated April 28, 1941, which stated:

"Mr. Jewett telephoned me this morning to say that they had received an order from R. C. S. for Poster Paper; the order specified that the paper was to be untrimmed on skids and stated that the specified size was the size of R. C. S. trimmed sheet and that a margin for trimming must be allowed.

In discussing the matter with R. C. S., Mr. Jewett stated that R. C. S. told them that other mills supplied them with oversize sheets for trimming without charging for the oversize.

I checked up on the matter and advised Mr. Jewett that we are not doing this.

. . ."

(HS 22-8)

Agreement to maintain the practice of not furnishing over-size sheets is set out in Green Memo No. 18, dated May 3, 1941, which contained the following:

"One of the Mills stated that they have been advised that some of the manufacturers were supplying untrimmed paper somewhat over the actual size ordered, with a view to allowing the customer sufficient margin to trim the paper to the ordered size himself, and it was pointed out that this was contrary to Paragraph 29 'A' of the Trade Customs, which reads as follows:-

'Paper ordered untrimmed shall be made to size ordered with no margin for trim.'

All Mills agreed that the practice of deliberately supplying over-size paper would not be followed, but it was pointed out that there was bound to be a certain variation in the size of untrimmed paper and that the customer had a right to expect that no paper supplied would be smaller than the size ordered. It was agreed that the paper should always be cut as closely as possible to the size ordered and that the variation over size would not exceed 1/4" on each dimension. This is not to be interpreted that deliberately the paper be made 1/4" over size ordered."

The application of Trade Customs to charges for light weight paper was the subject of correspondence between the head offices and Winnipeg branch offices of Howard Smith and Eddy in 1941. The question arose because Eddy was apparently using the actual weights of 10 and 13 pound bond paper in arriving at delivered prices at Winnipeg, whereas Howard Smith was charging on the standard basis of 16 pounds though the actual weight might be less. An inter-office letter from Howard Smith's Winnipeg office, a copy of which Howard Smith's Montreal office sent to Eddy on February 25, 1941, contained the following:

" . . .
Both Mr. Edgar (representing Eddy) and myself agree it is only a very small matter but the point is all mills should be on the same basis and we would suggest you discuss the matter and get it straightened out either Eddy way or our way, whichever is best."

(LBE 57-1G)

Subsequently Eddy wrote to its Winnipeg representative that it wished to have the light weight bond papers priced in accordance with the provisions of Trade Customs which set out that lighter weights should be charged for as standard paper. A copy of the letter of instructions was sent by Eddy to Howard Smith.

The close attention given to the application of Trade Customs is illustrated by discussions among interested mills, beginning in 1942 and extending into 1948 at least, over reported sales of hard sized (made suitable for use with ink) book paper in size 22 x 34 to printers in Edmonton. The matter was set out in a letter of August 10, 1942 to A. P. Jewett of Provincial from G. A. Davidson of Howard Smith who wrote:

" . . . As you are aware, this is being contrary to regulations Trade Customs -

'Paragraph 21, page 19 (revised)'

'(a) Book Paper shall not be supplied in writing paper sizes and shall not be hard sized for writing purposes.'

" . . ."

(PLT 13-8B)

Discussion was carried on by correspondence and conversation as to the purpose for which the paper was being used and Mr. Davidson received the impression that Provincial would discontinue the sale of hard sized book paper in writing paper sizes. In March and April, 1943, Mr. Davidson of Howard Smith and R. H. Ecclestone of Rolland wrote to Mr. Jewett of Provincial about reported sales of book paper in writing paper sizes. Replying to Mr. Ecclestone on April 30, 1943, Mr. Jewett wrote:

" . . .

The matter of the sale by us of Algoma Hard Sized to the Mid-West Paper Sales Ltd. has been cleaned up. It is quite true that we did have an order on our books of which I was not aware at the time of the original discussion. By the time I learned of it it was made and had been shipped. Subsequently we have told the Mid-West Paper Sales that we will accept no further orders for this kind of paper unless

they submit therewith a specimen of the type of work on which it is to be used so that we may see if the use is a proper one.

D. A. Clark's reference to the sale of Litho Paper in Edmonton as a substitute for Sulphite Bond is the first I have heard of the matter. Consequently I am writing Mid-West Paper Sales to-day and if the same circumstances apply and if the use is not justifiable we will proceed to clean it up as we have done in the case of the Algoma Hard Sized.

In looking at the Trade Customs, I think it would be well to include a paragraph that Litho Papers could not be applied (supplied) in Writing Paper sizes as a substitute for Bond Paper because this point, while intended, is not now covered."

(PLT 16-1A)

Notice of a revision of Trade Customs was sent out by A. E. Cadman on June 2, 1943 which read:

"21. NO WRITING SIZES SUPPLIED

- (a). Book Papers shall not be supplied in Writing Paper sizes and shall not be hard sized for writing purposes.
- (b). There are certain cases where Book Papers are properly required hard sized and in this event, subject to verification by the mill concerned, the extra charge shall be 25c. per cwt. (See para. 23e)."

(HS 37-1)

The following year, on May 5, 1944, E. H. Smith wrote to A. P. Jewett about further reports of the sale of hard sized paper in the west, and its use by the King's Printer at Edmonton for other than printing purposes. Mr. Jewett replied under date of May 6 that Provincial required assurances from its distributor that the paper would be legitimately used for printing. Mr. Jewett enclosed samples of booklets representing the use to which the paper had been put.

The sale of similar paper is referred to again in correspondence during 1947. The following reference was made in an inter-office letter of Howard Smith dated June 24, 1947:

"Mr. Jewett told me to-day that he had advised Mr. Allan Napper, on his recent visit to Toronto that shipments of Algoma Book to the King's Printer, Edmonton, would be discontinued.

. . ."

(HS 89-3)

Howard Smith supplied a grade of paper called Opal litho which it considered might be used for purposes similar to those which had been in question with respect to Algoma book. Discussions were carried on with Allan Napper of Mid-West Paper, which was a distributor for Provincial, looking to the discontinuance of the shipments which gave rise to question. On January 17, 1948 J. R. Nixon of Howard Smith's Toronto office wrote to the Montreal office, with a copy to Winnipeg office, and referred to a report that Mid-West had taken another order from the King's Printer at Edmonton for Algoma hard sized. He said in part:

"No doubt Mr. Ross will want to follow this thing through with Allan Napper, to determine whether or not they are still accepting orders, which, of course, is definitely contrary to our understanding.

Ken Murphy (Barber-Ellis) is quite prepared to make an issue of this with Provincial if we wish him to do so, although naturally he would prefer to have it discussed from the Mill angle."

(HSW 2-22)

In an inter-office letter of February 26, 1948 Howard Smith's Winnipeg office wrote:

"As requested I had a further discussion with Allan Napper and after my explanation he seemed quite agreeable that we would be obliged to even up the situation by taking a similar order from Barber Ellis (a Howard Smith representative in this respect), however, he stated quite definitely that it was the last as far as they were concerned and, of course, I made the same statement, as far as we were concerned.

. . ."

(HSW 2-2)

This policy was confirmed in a Howard Smith letter of December 17, 1948 in which its Winnipeg office was informed that further orders for Opal litho would not be accepted (HSW 2-2N).

Revision of the content and form of published Trade Customs was undertaken by the mills after the war. The appointment of a committee for this purpose is recorded as follows in the minutes of a meeting of the Book and Writing Section on June 25, 1946:

" . . .

A committee consisting of

A. P. Jewett
R. H. Ecclestone
W. H. Aird
G. W. Earnshaw

was appointed to consider the Book and Writing Trade Customs. It was agreed that this matter be discussed with Mr. R. M. Fowler following a discussion between Messrs. Fowler and Cadman on the general aspects of Trade Customs.

... ."

An inter-office memorandum, prepared by W. H. Aird of Howard Smith on March 11, 1947, shows that the revision of Trade Customs was proceeding and that by that time decision had been made as to the subject matter of the proposed publication:

"Consideration is being given by the Mills to a revision of Trade Customs on various grades.

The revised Trade Customs, to be published eventually by C.P.P.A. will simply be a compilation of practices that have come to be accepted by individual manufacturers and their customers, as a basis for day to day transactions.

No reference will be made to prices, price differentials etc and the words 'Must' or 'Shall Be' are to be eliminated.

... ."

(HS 109-5F)

In another inter-office memorandum of the same date, Mr. Aird referred to discussions with Messrs. Earnshaw and Joyce, and to revision of Trade Customs with respect to index and mill bristols. Mr. Earnshaw was connected with the Eddy company and Mr. Joyce was associated with Alliance and Don Valley. In his letter Mr. Aird said:

" . . .

. . . there are still a number of points to be settled, particularly with regard to Price Differentials, minimum quantities and that sort of thing, and while some of these items will actually not be shown in Trade Customs nevertheless they have to be decided.

However, we have made a start, and of course, the other Mills are giving thought to the subject also."

(HS 109-4F)

Earlier in this report reference is made to the manner in which changes in the rates for packing and finishing differentials were worked out among the mills and incorporated in the price lists of individual companies in the fall of 1947. There appears to have been no change, therefore, in the general practice followed in arriving at common rates, but instead of being included in published Trade Customs the scale of charges was subsequently shown only in the company price lists.

A Howard Smith memorandum of March 7, 1947 indicates that the company considered that before changing an arrangement, the matter should be taken up with the other mills. The following is an extract from the memorandum:

"A recent check-up on the probable costs of carton packing of bond papers as compared to the present protected bundles, indicates that some saving might be made by the use of cartons. If I remember correctly, the Book and Writing Mills have agreed not to use cartons and, of course, we would not make any change without bringing the matter to the attention of the Section."

(EBC 2-7B)

A similar position was taken in an inter-office letter of Rolland, dated March 25, 1948, in regard to suggested departure from Trade Customs:

"In reply to your letter of the 23rd instant, green Memo No. 18 is still in force and paper ordered Untrimmed must be supplied with no margin for trimming. The mill (factory) made that suggestion in their report but they are not always very familiar with all the agreements we have amongst the mills. . . ."

(ROW 5-1)

In a letter of October 20, 1948 to G. W. Earnshaw of Eddy, R. H. Ecclestone of Rolland inquired as to the observance of trade customs relating to cutting charges. In his letter he said:

"It has been mentioned to me that you carry Cheneaux Bond $8\frac{1}{2}$ x 11 and $8\frac{1}{2}$ x 14. I suppose these sizes carry the up-charge for cutting but I suppose are not considered a special size. We consider them as a special size and not stock items and require making quantities. (i.e., a minimum order to warrant cutting to a non-stock size)

I will be glad if you would advise me on this."

(ROL 7-6)

Mr. Earnshaw wrote in reply on October 21:

"We have carried White Cheneaux Bond, basis 17 x 22 - 32 M. in stock in sizes $8\frac{1}{2}$ x 11 and $8\frac{1}{2}$ x 14, for a number of years. Although regarded as a stock item, we are, in every case, following Trade Customs and charging for cutting to small sizes.

. . ."

(ROL 7-5A)

In the course of the final hearings it was argued on behalf of various of the parties that agreements upon ancillary matters, like service charges and freight policy (to be discussed in the following pages) were not objectionable. It is not necessary, however, to examine such agreements to determine whether, in isolation, they are unduly restrictive of competition. Such ancillary arrangements, having regard to the surrounding circumstances, can only be looked upon as part and evidence of an over-all system of common and non-competitive prices.

(b) System of Delivered Prices and Common Freight Basis

The maintenance of common mill prices of fine papers involved common policies among the manufacturers with respect to the charges for transportation in order that variations would not arise because of differences in such charges. Some time prior to 1935 the mills appear to have adopted a system of freight equalization so that there would be no difference in price by reason of the location of the mill from which the paper was shipped. The following appears in the minutes of a meeting of the Book and Writing Section on March 27, 1935:

" . . . "

Some grades of paper are being equalised on Mount Rolland instead of Cornwall as in the schedule in which there was apparently an error. It was agreed that the equalisation point for Book grades 1, 3 and 4 be Mount Rolland.

Mr. Smith undertook to have the freight equalisation sheets revised and new sheets will be sent out.

" . . . "

The minutes of a meeting of the Book and Writing Section on October 29, 1935 record that E. H. Smith (Howard Smith) and J. F. Taylor (Mddy) were appointed a committee to study the question of delivered prices. Arrangements in this regard do not appear to have been completed until the beginning of 1936. At a Book and Writing Section meeting held on January 30, 1936, "the secretary was instructed to send out the Freight notice drafted at a previous meeting". Such a notice, with the heading, "Adopted January 30th 1936", sets out conditions under which freight would be paid on mill shipments. The first part of the notice read as follows:

RE: MERCHANTS

Freight paid on any quantity to merchants warehouse,
to following points in direct or pooled cars:

Montreal
Toronto
Hamilton
London

or enclosed in Toronto cars for:

Hamilton
London
Brantford

or L.C.L. to:

Quebec City
Windsor
Ottawa
Kingston

(Minimum quantities mill package - new service charge to take care of broken mill package)

If shipped direct to merchants' customer on merchants account, carload rate of freight and cartage only allowed to nearest merchants shipping points as detailed above; except for shipments of two and three tons sold on mill basis, in which case freight and cartage will be paid in full."

(HS 8-32)

The notice set out provisions governing freight charges on rush shipments. The system of delivered prices adopted at this time did not apply to shipments to Western Canada which the notice stated were to be "sold at Western mill prices F.O.B. mills".

The defining of territories for the purpose of shipping arrangements is indicated in the minutes of a Book and Writing Section meeting of October 28, 1936, which record:

" . . .

FREIGHT EQUALISATION:

Freight equalisation points were discussed and the following set forth:

Central Zone:- Quebec City and West and South thereof, Montreal, Ottawa, North Bay, Sudbury and south thereof, including Western Ontario.

Eastern Zone:- East of Quebec City in the Province of Quebec, and the Maritime Provinces.

North & Western Zones: Northern and N.W. Ontario, the Prairies and B.C.

For Freight Equalisation in the Maritimes, Messrs. Hall, Toy and Taylor will consult together.

. . ."

The three persons named represented Canada Paper or Howard Smith, Provincial and Eddy respectively.

Subsequently maps showing the freight zones for Ontario and Quebec were drawn up and these were approved at a meeting held on January 27, 1937, the minutes of which state:

" . . . "

FREIGHT ZONE MAPS

The Freight Maps were approved as applicable to mill orders only and setting out the limits beyond which the mills will not deliver.

The secretary was instructed to send out maps to all members together with a copy of the memorandum of January 30th 1936.

. . . "

The introduction of the system of delivered prices on shipments to the Prairie Provinces took place after negotiations between the mills and Prairie merchants. The proposals put forward by the mills tended to some reduction in the price paid by the merchant including freight and some of the mills were interested in seeing that there was a corresponding reduction in the selling prices established by the merchants.

A meeting of the Book and Writing Section was held on March 3, 1938 and a notice bearing that date and headed "Book and Writing Section" reads as follows:

"SUGGESTED WESTERN PRICES TO BE DELIVERED"

The suggestion was made that Western Prices be delivered as follows:

All grades except No. 4 book and writing manilla for Winnipeg and Western points be based on Eastern delivered prices:

plus Winnipeg -- 75¢ per 100#
Regina & Saskatoon -- 1.00 " "
Calgary & Edmonton -- 1.25 " "

For No. 4 Book and Writing Manilla

plus. Winnipeg -- 35¢ per 100
Regina & Saskatoon -- 75¢ " "
Calgary & Edmonton--1.00 " "

Continue to quote f.o.b. mill, carload freight & cartage allowed

Above prices to be in effect April 1st provided no objections raised in the meantime and contingent on 2 & 3 ton prices being effective in the West and that new resale prices be effected.

A letter outlining this to be drawn up by Messrs. Ecclestone and E. H. Smith and sent to all members for approval before being passed on to Mr. Moffitt for transmission.

At the next meeting there will also be discussed the 3 cent charge for embossing.

(HS 3-9B)

These proposals were transmitted to Ivan Moffitt of the Canadian Paper Trade Association in a letter of March 23, 1938 from A. E. Cadman. After setting out the basis on which delivered prices would be established, the letter went on:

"5. This proposal is made strictly on the understanding that the merchants' resale prices will be based on the delivered prices less Loyalty Discount and without any additional charges of any kind, the percentage mark-up to be made as per present schedule.

6. The proposal is also contingent on applying the two and three ton arrangement in Alberta as well as in the other provinces.

We request that you submit this proposal to your members and advise us of their comments as soon as possible as the mills would like to make it effective at the earliest date."

(TPW 14-41C)

A meeting between representatives of the mills and merchants was held in Winnipeg on April 11 and 12, 1938, and in a letter of April 13, 1938 from Tees and Persse Limited, Eddy's Western agent, it was stated that G. Davidson (Howard Smith), R. Ecclestone (Rolland) and A. Jewett (Provincial) attended. The proposals contained in Mr. Cadman's letter of March 23 to Mr. Moffitt were reported to have formed the basis of the discussions and the memorandum of the meeting states:

It was agreed unanimously to recommend that mill prices to the Fine Paper Merchants in the three prairie provinces be on the basis of f.o.b. merchant's warehouse.

..."

(TPW 14-27D)

The Tees & Persse letter of April 13 states:

" . . .

A strenuous effort was made by the merchants to secure approval of a markup on mill shipments. It was pointed out that the merchants could make their own arrangements, but insofar as mills were concerned, there was no intention of doing so. Merchants could not, therefore, make this effective.

Merchants requested that prices to direct accounts be left 'as is', and new delivered prices applied to merchants only. On behalf of the mills it was stated that the same invoice prices would apply to direct accounts as to merchants.

Merchants asked if the two and three ton arrangement would be lived up to by the mills. This seemed fair enough, providing the merchants would clean house first or simultaneously, so it was agreed that two and three ton arrangement would be lived up to by both merchants and mills. It was stated by the merchants they would strictly adhere to the two and three ton arrangement as from tomorrow. In view of the expectancy of lower prices within 10 days, and which will be effective on shipments ex mill, it is not likely there will be any commitments in this regard meantime.

. . ."

(TPW 14-31)

A notice headed "Book and Writing Section" sets out the new basis of mill prices for shipments to the Prairie Provinces and this notice carries the notation "Effective April 22nd, 1938" (HS 14-16). The minutes of a Book and Writing Section meeting on June 1, 1938 report that the matter of freight charges in the Prairie Provinces was discussed and the minutes then set out a memorandum which presents in greater detail the conditions attaching to delivered prices in those provinces.

On April 22, 1938 R. H. Ecclestone of Rolland wrote to J. F. Taylor of Eddy as follows:

"We have made out our new Price List for the three Prairie Provinces and thought it best to check up with you on the price of No. 7 Bond, lightweight, which is quoted per thousand sheets. We have figured the prices as follows:-

	<u>Winnipeg</u>	<u>Regina</u>	<u>Calgary</u>
No. 7 BOND WHITE, 17x22-20(M)	3.15	3.23	3.31
do 17x28-25(M)	4.04	4.14	4.24

and have checked these with Howard Smith Paper Mills Limited, and I think you will find them correct."

(EBE 76-2A)

E. Clarke of Eddy replied as follows to this letter on April 28:

"Referring to your letter of the 22nd inst., addressed to Mr. Taylor, in which you have set forth prices on No. 7 Bond Light Weight for the three Prairie Provinces; there is a few cents difference between our calculation and yours but as you have checked with Howard Smith, we are quite prepared to put these prices into effect and will advise our Western representatives accordingly.

. . ."

(EBE 76-2)

In a letter of April 26, 1938 E. Clarke of Eddy raised with R. H. Ecclestone of Rolland a question as to the mechanics of invoicing. He said that it was Eddy's intention to invoice western shipments at delivered prices. He added:

" . . . If you and the other Mills are prepared to invoice in the same manner, the prices would then be absolutely uniform. . . .

. . ."

(EBE 76-3A)

In a reply of April 28 Mr. Ecclestone said:

"Thanks very much for your letter of the 26th confirming our telephone conversation with regard to the billing of goods for the West under the new set-up.

The method, as outlined in your letter, is perfectly agreeable to us. We consider this the best method. As a matter of fact, this was discussed at our last meeting and everyone agreed that this was the best method.

. . ."

(EBE 76-3)

The extension of the system of delivered prices on an agreed basis left fewer points on which difference in prices might arise through variations in shipping charges. The minutes of a meeting of the Book and Writing Section on January 26, 1939 set out a basis for dealing with freight charges on shipments of paper to local points west of Winnipeg. The basis of charges for "Freight on Shipments less than 2 and 3 tons for local points outside of Toronto, Hamilton or any regular delivery point" was set out in a Book and Writing circular of July 26, 1939 (EBE 66-4).

C. M. Walker of Eddy wrote to Ivan Moffitt, secretary of the C.P.T.A. on February 8, 1940 inquiring as to the method to be followed in establishing the price on papers shipped to points outside the delivery zone (EBE 43-74). The letter was sent on to Mr. Cadman by Mr. Moffitt who told Mr. Walker in a letter of February 10 that he did this because the question raised was one of mill practice (EBE 43-7). Mr. Cadman outlined a method of dealing with such shipments in a letter of February 29 and said that he had delayed replying "until the meeting held on February 27th so that a uniform ruling might be made" (EBE 50-5).

The problem which arises in many cases where suppliers establish prices which include transportation - that of dealing with customers who are prepared to assume the cost of transportation themselves by taking delivery at the factory - was dealt with at a Book and Writing Section meeting on August 20, 1940. Decision that no allowance would be given in such circumstances is set out in Green Memo No. 7 of the same date which stated:

"No freight allowance will be made to any customers 'picking up' goods at the mill by their own trucks."

Such a provision had the effect of denying to a customer any opportunity that might still be open to him of effecting economies in purchase price by reason of his proximity to a mill.

The significance attached to uniform policy on freight charges is indicated in correspondence exchanged among certain mills in 1941. On April 23, 1941, A. P. Jewett of Provincial wrote as follows to the sales manager of Eddy and sent a copy to E. H. Smith of Howard Smith:

"With regard to the matter you raised yesterday of the sale by us to an account in Calgary of five tons of Exercise Book Paper at the carload price.

We did not sell this paper at the carload price but at the regular less than carload price of \$7.95 per Cwt. plus freight. The freight charge was \$1.00 per Cwt. based on the Port Arthur rate because we were told that this was the rate of freight that you had figured on.

But I think it was a good idea to bring this question to the forefront yesterday and, as arranged, if we all go to the next meeting with full information we can clarify the whole position at that time."

(HS 22-9B)

The reply from Eddy, of which copies were marked for E. H. Smith of Howard Smith and R. H. Ecclestone of Rolland, read:

"Thank you for your letter of the 23rd instant, addressed to Mr. Ellison, in connection with your sale to an account in Calgary of 5 tons of Exercise Book Paper.

In the second paragraph of your letter you advise having quoted a price of \$7.95 cwt., plus freight of \$1.00 cwt., based on the Port Arthur rate, because you were told that this was the rate of freight we had figured on. Such, however, is not the case as we quoted the L.C.L. price according to the schedule for Calgary, viz., \$9.20 cwt. The prices which we have as applying on this grade are as follows:-

Ontario and Quebec.....	\$7.95	cwt.
Winnipeg.....	8.70	"
Regina, Saskatoon.....	8.95	"
Calgary, Edmonton.....	9.20	"

In other words the usual freight differentials of 50¢, 75¢, \$1.00 and \$1.25 cwt. are applied to the Ontario and Quebec prices for Fort William, Manitoba, Saskatchewan and Alberta, respectively. If, however, you are making this paper in Port Arthur and applying the Port Arthur freight equalization of \$1.00 cwt. to Calgary as against our freight differential of \$1.25 then, of course, we will be out of the picture altogether.

Would you kindly advise us if you are manufacturing this paper in Port Arthur? If not, and it is manufactured at Thorold, or one of your other Mills, then your prices should be on the same basis as ours.

I would appreciate your advice in this connection at your early convenience."

(HS 22-9A)

Mr. Jewett replied to this letter on April 28 in which he wrote:

"Acknowledging your letter of April 25th about Exercise Book Papers in the West.

We do make this paper at Port Arthur and have done so for the past year and a half. However, we charged freight on the same basis as we would have if it had been shipped from one of the Eastern mills up to a couple of months ago. This was in accordance with an undertaking given at a meeting of the Book and Writing Section but the latter part of February we were told by the Mid-West Paper Sales that you had made quotations on the basis of the Port Arthur Freight rate and then we did likewise. We did not think very much about this for the reason that the undertaking which we had given was only good for 1940.

I think that what we had better do about this situation is to bring it up at the next meeting of the Section and have the whole matter clarified, when we have a general discussion about this grade following remarks made at the last Meeting."

(LBE 56-4)

At a meeting of the Book and Writing Section on May 22, 1940, the following decision as to prices at Port Arthur and Fort William is reported to have been taken according to the minutes of that date:

" . . . "

SHIPMENTS TO FORT WILLIAM

It was decided that 'delivered prices at Port Arthur and Fort William are 50 cents per cwt. over Eastern Ontario delivered prices.'

" . . . "

On May 28, 1941 G. A. Davidson of Howard Smith wrote to B. Ellison of Eddy and marked copies of his letter for Mr. Jewett of Provincial and R. H. Ecclestone of Rolland. His letter read:

"Re: Direct shipments to
Fort William

With reference to this subject, which was brought under review by the writer yesterday, the information that we have is - that some Eastern merchant had figured out that an F.O.B. mill price on Mimeograph or No. 7 Bond would lay down in Fort William by boat at a little lower price than the Eastern delivered price, plus 50¢ per cwt.

I assume that if such an order were tendered any mill, it would be refused as the understanding is that shipments to Fort William, it was decided that delivered prices at Port Arthur and Fort William are 50¢ per cwt. over the Eastern Ontario delivered price.

" . . . "

(EBE 57-8A)

The reply from Eddy, dated May 30, with copies marked for A. P. Jewett and R. H. Ecclestone, stated:

"Re: Direct Shipments to
Fort William

"Referring to your letter of the 28th instant, addressed to Mr. Ellison, on the above subject; we have no record of ever having shipped goods to Fort William - either Mimeograph or #7 Bond - at less than the Eastern delivered price, plus 50¢ cwt. for freight, since this arrangement was made by the Fine Paper Mills. If any order were submitted to us on a different basis, it would not be accepted.

We trust this is the information you require."

(EBE 57-8)

The system of delivered prices for book papers was extended to British Columbia in 1947. A letter to the Montreal office of Howard Smith, dated May 15, 1947, and written apparently by W. H. Aird while he was attending the C.P.T.A. convention in Vancouver, contained the following:

" . . . "

Effective June 1st the book paper structure comes into force in B. C. . . .

Provincial's price sheets will read differently but amount to the same thing. . . .

" . . . "

(HS 108-1B)

The Winnipeg office of Rolland wrote to R. H. Ecclestone of the Montreal office of the company in January 1948 in regard to the policy of the company on delivered prices under the bracket system of prices to smaller centres in the Prairie Provinces. In a reply dated January 21, 1948, Mr. Ecclestone wrote:

" . . . "

Re: your letter of the 19th, with regard to delivered prices to such points as Moose Jaw, Brandon and Lethbridge. On the two and three ton basis, it was quite clear that we would only deliver to Regina, Saskatoon, Calgary or Edmonton and local freight from these points would be charged to the customer. You may go on the assumption that this same thing applies to the quantities under the new brackets. I will, however, clear this with the other mills so that there will be no misunderstanding. It should be cleared with the merchants as well. There is a meeting of the Book and Writing Section of the P. & P. next Tuesday. I shall bring it up at that time.

" . . . "

(ROW 6-1)

Questions arose in 1948 as to the policy to be followed in quoting delivered prices at Victoria, B. C. The situation was described as follows in an inter-office memorandum of Eddy, dated July 14, 1948:

"There are certain misunderstandings or complications regarding the price of Book, Litho and Offset Papers sold to customers in Victoria, B. C.

First of all, Provincial Paper Mills are regarding prices quoted as delivered prices and are absorbing the freight and handling charges, (this also applies in Vancouver).

At the same time, Howard Smith Paper Mills, Rolland Paper Co. and ourselves are regarding prices quoted as F.O.B. Vancouver and Victoria. This matter will be discussed at the next meeting of the Book and Writing Section.

The second problem is that much of the Book, Litho and Offset, shipped to Victoria is included in Vancouver cars. Where such is done, the extra cost of trans-shipping from Vancouver to Victoria is approximately twenty-six cents (26¢) per one hundred pounds (100 $\frac{1}{2}$). Notwithstanding this, we are quoting the same price for Vancouver and Victoria. Our Company is in the fortunate position that we ship two or three cars direct to Victoria during the year and in carload quantities, the freight to Victoria is the same as to Vancouver.

The opinion has been expressed that Victoria prices for Book, Litho and Offset grades should be twenty-five cents (25¢) per hundred pounds higher than the Vancouver price.

Mr. A. P. Jewett called this morning to say that he intends to increase the price to Victoria by this amount."

(EBC 4-17)

An office memorandum of the same date, July 14, written by R. H. Ecclestone of Rolland, read:

"You will recall that in discussions at Quebec City, the point was brought up that in regard to delivered prices for book paper in Victoria, B. C. it was costing the mills quite a bit, namely 25 cents per 100 lbs. to deliver in Victoria on the same price basis as Vancouver.

I am advised today that the mills have agreed to advance the price for Victoria by 25 cents per 100 lbs., effective today. This does not effect us directly as we have no direct shipments to Victoria and this memo is to keep you advised."

(ROL 9-1)

Writing to H. E. Miller of Columbia Paper Company, Vancouver, on July 16, 1948, W. H. Aird of Howard Smith said:

"You will remember the discussions we had when you were East a month or two ago, in connection with the prices of Book, Litho and Offset for Victoria. It was agreed, you will remember, that prices for Victoria should be 25¢ per cwt. higher than in Vancouver.

Therefore, we are making a notation to this effect on our B. C. price sheets and will you be good enough to do the same thing on your price sheets.

. . ."

(HSW 8-1)

(c) Standards of Paper, New Lines and Job Lots

On occasion the fine paper mills by joint decision or by exchanges among two or more mills have endeavoured to limit or lessen competition arising from differences in quality of standard grades of paper, from the introduction of new lines or from the sale of job lots of paper. A. E. Cadman wrote to E. H. Smith of Howard Smith on September 5, 1936 in regard to the establishment of a standard for manilla envelope paper. In his letter, Mr. Cadman said:

"At the last meeting of the Book and Writing Section it was agreed that Provincial make a run of Manilla envelope paper to serve as standard. I understand this was done and samples were distributed to all mills.

It is suggested that each mill bring to the meeting on Wednesday, September 9th a sample of their manilla for comparison with the standard."

(HS 8-16)

A decision to limit the grades of litho paper is reported as follows in the minutes of a Book and Writing Section meeting held on September 9, 1936:

" . . . "

It was agreed that no mill will make anything cheaper than a No. 3 Litho.

" . . . "

A suggestion that samples of exercise book paper be submitted to see that a standard agreed upon was not exceeded was contained in a letter of December 1, 1937 to A. E. Cadman from E. H. Smith of Howard Smith, who wrote:

"With reference to our discussion at the Meeting this morning regarding the new quality in Exercise Book Paper, it seems to me that it would be most desirable for each Mill to submit to the Section, samples of one or more of their early runs to the new standard.

Naturally, the success of the change which was decided on this morning is largely dependent on the different mills not exceeding the new standard of quality and I think that we should all keep a pretty close eye on this and be given an opportunity of examining our competitor's samples.

It seems to me quite likely that our various customers may try to cause dissension among the mills by giving one mill a sample of a paper which is alleged to be the new quality made by a competitor, and in this way they would try to get the quality

back to where it was. If the Mills are given an opportunity of seeing each other's samples this should have some tendency to prevent this from occurring.

" . . . "

(HS 7-4)

Mr. Smith wrote to the Winnipeg office the same day, December 1, in regard to the quality of Repton exercise book paper and said in his letter:

" . . . "

The quality of the grade generally has been reduced and I am enclosing a few samples of our new quality. I think the finish of these samples is a little on the high side but aside from this, the samples represent the quality that we would propose supplying in future.

" . . . "

(HSW 28-30A)

In a postscript to his letter, Mr. Smith wrote:

"I might add that all Mills have agreed that the samples I am enclosing represent the best that will be supplied in this grade."

The acceptance of a common standard for exercise book paper is described in the following extract from the minutes of a meeting of the Book and Writing Section on December 1, 1937:

" . . . "

The tests on Exercise Book Papers were submitted and Mr. E. H. Smith submitted a sheet of exercise book paper which it was suggested might serve as a standard. This was adopted as a standard exercise book sheet. All mills agreed that the quality of their sheet should not be higher than the sample.

" . . . "

The minutes of a meeting of the Book and Writing Section on March 23, 1937 record a suggestion put forward by Mr. Jewett of Provincial for exchange of information on the introduction of new lines:

" . . . "

Mr. Jewett suggested that when any of the members were intending to manufacture a new line the members should be

advised of such intention. This matter will be taken under consideration and brought up at the next meeting.

" . . . "

A motion along these lines was adopted at the meeting of May 26, 1937 as the minutes show:

" . . . "

It was moved by Mr. Jewett seconded by Mr. Taylor and carried

'that all mills agree that new lines and discontinuance of old lines be reported to the secretary and that he notify all the mills so that they receive a week's notice before the announcement is made to the trade.'

" . . . "

The sale of job lots of bristol paper by Don Valley was reported to be upsetting to the trade in Toronto in a letter from G. H. Allen of Buntin Reid to E. H. Smith of Howard Smith on November 23, 1937:

"We are still annoyed with Job Bristols coming on our market from Don Valley. All the merchants in Toronto, except one, have voted against the handling of these lines, at the same time expressing themselves as being privileged to handle them as long as that one merchant takes his isolated position. We have talked to Wainwright without very much effect, although we know his business on standard grades is adversely affected by the position he takes.

As nearly as we can trace between Toronto and Montreal there is some $2\frac{1}{2}$ tons per month, or 30 tons per year, offered on these markets from one source, just enough to keep a certain section of our trade upset.

" . . . "

(HS 25-2J)

Mr. Allen sought Mr. Smith's assistance in eliminating the sale of such bristol paper in a further letter on November 26, in which he wrote:

" . . . "

We feel sure you will use your very best efforts to have the troublesome Job Bristols eliminated from our market. If you can do so, most of the merchants in this section will be grateful.

It is a disturbance which is liable to increase rather than diminish and you may find paper distributors importing Seconds in Bristols, just as they have done in Enamelled Blotting, in order to protect their customers. At least, that is the reason which they have advanced and they would likely apply it to Bristols and Blanks also."

(HS 25-2F)

The efforts to have Don Valley discontinue the sale of the job lots were successful as Mr. Wainwright wrote to E. H. Smith on December 3, 1937:

"Replying to yours of the 29th, re Job Lots of Bristols. I would like to explain that, whilst we have sold Job Bristol, from time to time, there never has been a case when the stock was not perfectly legitimate 'seconds' or 'job' due to various defects after sorting.

• • •

• • • I do think you have a right to take the matter up with us and you are the ones that we feel have a right to complain, because if we sell these Jobs and you do not, then perhaps it places us in a little advantage, although the whole thing does not amount to much in tonnage.

Considering the matter, therefore, from a Mill standpoint, how would it be if we said to you, that we will not sell any more Job Bristol, and we will see how it works out by putting it back in the Beaters. If at any time we find this does not work out satisfactorily we reserve the right to take the matter up with you and we then can decide what is to be done.

• • •"

(HS 25-2D)

The relations of the mills with merchants were commented on by Mr. Wainwright who wrote:

" • • •

Another matter I think should be brought to their attention, is this maintenance of Merchant's Resale Prices, in restraint of Trade, or at least letting business go by that they know of, rather than meet price of a competitor handling imported lines on what is practically commission. For example, there is a man in Toronto selling Champion's Index, i.e. Baker Paper Company, who is evidently content to make about 10% profit.

My point in this connection is that surely it should be to the

interest of the distributors of Canadian Products to find some means of meeting this competition, especially when they are very emphatic in insisting that the Mills will not sell direct.

" . . . "

(HS 25-2D)

At a meeting of mills and merchants on December 1, 1937 the matter of the sale of job lots of fine papers was discussed. The minutes contain the following references to the discussion:

" . . . "

'Job and odd lots continued to be a matter of concern to the merchants and it is suggested that the experience both of the mills and of the merchants since the previous discussion, should be reviewed to determine what further action may be possible or necessary'

As Provincial Paper mills appeared to be the mill most affected Mr. Jewett undertook to look further into this matter to see if in any way the views of the mills and the merchants could be made to coincide a little more closely.

" . . . "

The minutes also record that discussion took place on a suggestion advanced by the merchants as to the practice to be followed when a mill line of paper was discontinued:

" . . . "

'The suggestion is made that consideration be given to the advisability of consultation with stocking merchants before change is made in an established line; of a basis of compensation to the merchant on stock on hand of cancelled items; of a uniform basis for disposing of mill stocks of cancelled items'

The mills replied that this question will require further consideration and will be taken under advisement.

" . . . "

The matter of discontinued and new lines was dealt with at a meeting of the Book and Writing Section on August 30, 1938 when the following arrangements were made:

" . . . "

. . . Following discussion it was agreed.

'that when lines are discontinued the mills will give the merchants six (6) months' notice except as regards standard book paper and the mills agree that new lines and the discontinuance of old lines be reported to the secretary and that he notify all the mills so that they receive a week's notice before the announcement is made to the trade.'

. . ."

The merchants continued to seek for some means of controlling the sale of job lots and the minutes of a meeting of the Book and Writing Section on October 26, 1938 record that a letter dealing with this matter was discussed:

" . . .

JOB LOTS & SIDE RUNS

A letter was read from the C.P.T.A. regarding job lots and side runs in Ontario. It was the opinion of those present that much of these job lots were of grades not in the control of this Section.

The secretary was instructed to reply to Mr. Moffitt that the mills agree that no job lots of bonds will be offered and there are no side-runs of bonds; there may be odd lots of book paper but there are job lots of many other grades that the Section does not control and which do not originate from the mills to this Section. The mills also request the co-operation of the merchants so far as importations are concerned.

. . ."

Shortly afterwards committees were set up by the mills and merchants to give further consideration to the question of job lots. In a memorandum of November 18, 1938 J. F. Taylor of Eddy summarized a conversation with Ivan Moffitt, secretary of C.P.T.A. and wrote on this subject:

" . . .

After we got through talking about Mohawk Bristol, he mentioned that the fine paper merchants, comprised of the following committee, namely -

Mr. R. I. Finlay	-	United Paper Mills Limited
Mr. G. H. Allen	-	Buntin Reid Company
Mr. Bruce Brown	-	T. B. Little Company, Montreal
Mr. D. Nelson	-	McFarlane Son & Hodgson, Montreal

had been appointed to meet with a committee of the Mills, comprised of the following -

Mr. S. F. Duncan	- Provincial Paper Mills
Mr. W. S. Kidd	- The E. B. Eddy Company
Mr. H. Crabtree	- Howard Smith Paper Mills
Mr. N. E. Wainwright	- Don Valley Paper Company

in Montreal on Monday the 28th of November, 1938, for the purpose of discussing job lots as between the Mills and the Merchants. I gathered from Mr. Wainwright that Mr. Bruce Brown of the T. B. Little Company, has written him about this meeting and had stated that the job lot situation was getting so serious that there was every possibility of wrecking the present set up unless something was done at once to straighten out this situation."

(EBC 82-1)

The minutes of a meeting of the Book and Writing Section on November 29, 1938 set out the terms of an agreement made at a meeting between representatives of mills and merchants on November 28:

" . . .

For Bonds, Ledgers & Writing

It is agreed by the mills of the Book and Writing Section that they will not offer or sell any job or odd lots of bonds, ledgers or writing papers.

It is agreed by the merchants that they will handle no job or odd lots of bonds, ledgers or writing papers and will handle no papers from any source, below the present standard domestic grades --- provided that the prices charged by the Canadian mills are reasonably close to the competitive offerings.

BOOK PAPER, LITHO, OFFSET

The mills agreed not to offer at reduced prices anything except sub-standard makings and these to be offered at a discount of not less than 33 1/3 per cent below regular prices and to be subject to Loyalty and Quantity Discounts.

These offerings are to be filed monthly with the secretary of the Book and Writing Section who will pass them on to the secretary of the Canadian Paper Trade Association; samples and prices to be submitted in all cases.

All orders for rush lots shall be filled only when placed through the secretary of the Canadian Paper Trade Association.

No job or odd lots will be sold by the mills other than under the above provisions.

It was understood that this plan would be tried out for a period of six months.

" . . . "

Mr. Ivan Moffitt wrote to Eddy on February 11, 1939 in regard to a reported sale of job lots of paper:

"We are endeavouring to trace down a report, which may, however, prove to be rumour only, as to Bond Paper being offered in 1000 lb. lots at 8¢ per lb. The report as it comes to us is that an odd lot or overrun of job Bond, white, 22x34-64, is being offered as above at points in eastern Ontario, Belleville and Kingston being specifically mentioned.

" . . . "

(EBE 71-5A)

The following was contained in a reply from Eddy on February 15:

"Answering your letter of the 11th instant; we have not offered any job lots of Bond Paper to anyone since it was arranged sometime ago that the Mills would not offer job lots, nor the merchants handle them.

" . . . "

(EBE 71-5)

The minutes of a Book and Writing Section meeting on March 7, 1939 record:

" . . . "

A report on Job Lots being offered in Toronto was made and the secretary was instructed to write Mr. Moffitt asking for further information.

" . . . "

J. F. Taylor wrote to Ivan Moffitt on March 27, 1939 in regard to the sale of bond paper at a reduced price and stated:

"We are advised that the United Paper Mills and the F. W. Halls Paper Company of London are offering old shade Progress Bond in colours in any quantity at 10¢ per lb., which is 1¢ per lb. less than the merchants' price.

This is not the first irregularity that we have heard of since we were a party with the other mills in agreeing

not to offer job lots of bond papers for a period of six months. If the merchants are not going to respect the arrangement entered into between the mills and themselves, then we would like to know so that we can deal with the situation further.

Will you be good enough to take the matter up with the firms referred to promptly and let us hear from you in reference thereto with the least possible delay.

• • •"

(EBC 71-3A)

Replying to this letter on March 29, 1939 Mr. Moffitt stated that it had been arranged at a local meeting in January 1939, that any discontinued shades of No. 5 grade bond might be offered at 10 cents per pound. He then went on:

"All action taken to dispose of discontinued items of No. 5 grade Bond at clearance prices has been taken jointly by the merchants in this territory. It is not the thought of the merchants here that the closing out of discontinued items such as this is in any way contrary to the understanding reached with the mills in regard to job lots. No such offerings are made, however, without the consent of the other merchants in the territory first being obtained.

• • •"

(EBC 71-3)

The same matter was apparently considered at a meeting of the Book and Writing Section on April 19, 1939, as the minutes state:

"

The secretary reported that Mr. Moffitt had not yet replied to the letter asking for particulars of the Job Lots being offered in Toronto and discussed at the previous meeting.

Mr. Taylor also stated that a further offering of job lots was being made in Toronto and that this was a distinct violation of the arrangement entered into between the mills and the merchants.

The secretary was instructed to draw this question to the attention of the Canadian Paper Trade Association in definite terms so as to get all information and clarify the situation.

• • •"

Further attention was given to the question of job lots at a meeting held on June 7, 1939 when the secretary was instructed to write to Mr.

Moffitt pointing out that the merchants were expected to do their part in maintaining the arrangement which had been made by mutual consent. Mr. Cadman wrote to J. F. Taylor of Eddy on June 19, 1939 that he had sent such a letter:

" . . . "

As instructed at the meeting I have written to Mr. Moffitt drawing to his attention the fact that the mills expect the merchants to fulfil their part of the understanding and to refrain from purchasing any job lots except through the method of procedure agreed upon. . . .

. . . "

(EBE 63-3)

The arrangement between mills and merchants regulating the sale of job lots had been first established for a period of six months. Mr. Cadman referred to the arrangement and to matters concerning its continuation beyond the six month period in a letter of September 26, 1939 to B. Ellison of Eddy:

"In November last an arrangement was entered into with the merchants regarding job lots.

Under this arrangement no job lots of Bonds, Ledgers and Writings were to be offered and the merchants agreed not to handle job lots from any source below the present standard domestic grades provided that Canadian prices are reasonably close to the competitive offerings.

In Book Litho and Offset the mills were to cease from offering at reduced prices anything except sub-standard makings and these to be offered at a discount of not less than 33-1/3% below regular prices.

Further, any such offerings were to be filed monthly with the Secretary of the Book and Writing Section who will pass them on to the Secretary of the Canadian Paper Trade Association with samples and prices in all cases. All orders for such lots shall be filled only when placed through the Secretary of the Canadian Paper Trade Association.

This arrangement was to be tried out for a period of six months which has expired but it is our understanding that the arrangement is carried on automatically until such time as the mills and the merchants mutually agree to change it.

The Canadian Paper Trade Association has asked whether this arrangement is still in effect and we have replied that our understanding is as outlined above.

Will you please advise me whether you are in accord with the views thus expressed so that I may, inform Mr. Moffitt accordingly."

(EBC 66-1A)

In a reply to this letter on September 27, Eddy said that the arrangement was still in effect as far as it was concerned and if other mills were in accord Mr. Moffitt could be so advised (EBC 66-1B). At a meeting of the Book and Writing Section on October 12, 1939 consideration was given to the continuance of the job lot arrangement and the following action taken:

" . . . "

A letter was read from the secretary of the C.P.T.A. in regard to the arrangements entered into with the merchants covering job lots of bond, ledger and writings. The arrangement was for a period of six months which expired in May.

The chairman and secretary were instructed to write Mr. Moffitt to the effect that the mills understood that this arrangement held until one party or the other decided to change it and the merchants have not notified the mills of any desire to make a change. The merchants are asked if they are unanimous in wishing to continue the arrangement.

. . . "

The minutes of a meeting of the Book and Writing Section on November 29, 1939 make the following reference to the reply received from Mr. Moffitt:

" . . . "

A letter from Mr. Moffitt was read replying to the request of the mills for an expression of unanimity from the merchants in regard to job lots. This reply, however, did not definitely answer the question and the secretary was instructed to point out to Mr. Moffitt that the answer was not decisive.

. . . "

The matter appears to have been carried further because the minutes of a meeting of the Book and Writing Section held on August 20, 1940 record:

" . . . "

The matter of job lots was discussed in view of offerings being made in various centres and attention of

the members was drawn to the plan for disposal of job lots adopted jointly by the mills and the merchants in November 1938."

A further reference is contained in the minutes of a meeting on October 1, 1940:

" . . .

Attention of the members was again drawn to the arrangement with the merchants in regard to the disposal of job lots.

. . ."

From time to time Mr. Cadman would be advised of the introduction of a new line as provided in the agreement made on May 26, 1937 which has been referred to earlier in this chapter. Mr. Cadman would then send a notice to the other mills conveying the information received. The nature of the information exchanged is illustrated by a notice dated February 11, 1939:

"The Rolland Paper Co. advise that they will, in the near future, offer to the merchants a new line called 'Dual Tone Deckles', which will be carried in stock in sizes 25x38-140 and 26x42-60, in two designs and four colours.

It is the intention of the Rolland Paper Co. to market this paper at the same price and under the same conditions as Rolland de Luxe Book."

(EBC 64-10A)

Efforts directed to controlling the quality of certain papers are further illustrated by the following instances. The minutes of a meeting of the Book and Writing Section held on March 7, 1939 contain references to manilla papers and although no indication is given of the matters discussed it is evident from other evidence that it was the standard of paper which was in question. In the case of manilla writing paper the minutes record:

" . . .

MANILLA WRITING:

Mr. Taylor is to write Mr. J. Rolland in this connection.

. . ."

On the following day, March 8, 1939, Mr. Taylor of Eddy wrote to the president of Rolland about the quality of Rolland Federal manilla (EBC 58-15D). Jean Rolland replied to this letter on March 9, stating:

"In answer to your letter of March 8, I admit with you that the Federal Writing Manilla that we have been making was altogether too good and this grade was made to match same paper that you were making years ago.

We are quite ready to get in line with the other mills and I am giving instructions to the mill to this effect. From our analysis we found that Smith's has about 15% of Groundwood while the others, your Company included, are around 20%.

If it is not asking too much I would like you to send me a good sample of your run so we could keep on with your quality.

. . ."

(EBE 58-15B)

Receipt of samples of Eddy manilla paper was acknowledged by Jean Rolland in a letter of April 13 in which he said:

" . . .

We will try in our next run of Federal Manilla to match your sheet but we are afraid that we cannot get any fine Groundwood as the one you are using."

(EBE 58-15H)

The question of the quality of Rolland's manilla paper continued to be a matter of concern to some of the other fine paper mills. In reply to a communication from the Winnipeg office of Howard Smith, G. A. Davidson of the same company said in a letter dated July 30, 1940:

" . . . I agree with you as expressed in the second paragraph, but this is nothing new - it has been going on for years. We have had this up in the Section on several occasions but it does not seem to make any difference however. Rolland's seem to continue on their way.

The trouble, of course, is that Rolland has not any unbleached sulphite and seems to make this Fortress out of shavings or something of that nature and puts a little colouring in it to make it look like Manilla.

. . ."

(HSW 27-20)

Mr. Davidson also wrote on the same day to B. Ellison of Eddy in regard to the quality of Rolland's manilla and his letter included the following:

"You will recall that on several occasions we have had this subject under review with reference to the quality of Federal Manilla manufactured by the Rolland Paper Company.

I have just received a sample and it is more like No. 7 Bond. I do not know that it would do very much good, but we might have another rap at this at our next meeting . . ."

(EBE 58-16B)

When such differences in quality were discernible by users of papers, enquiries might be made for an order of paper to match the superior quality supplied by another mill. Eddy's London office submitted an order in September 1939 for a grade of manilla to match Rolland's Federal manilla and Eddy's head office replied that it would take at least eight weeks to make delivery (EBE 58-15J). A further letter from Eddy's London office stated:

"After contacting our customer, we are pleased to advise you that they will wait the eight weeks or better in order to procure this stock.

. . ."

(EBE 58-15I)

The procedure which G. A. Davidson as chairman of the Book and Writing Section in 1940 thought should be followed in setting up a standard grade is outlined in a letter of March 4, 1940 to E. Clarke of Eddy in which he said in regard to a grade of paper described as C.N.R. sulphite:

" . . .

As Chairman of the Book & Writing Section, it seems to me we should have this grade incorporated in our regular book & writing schedule. In this connection the next step would be to have all the mills that make the grade file samples with the Secretary. After receipt of the samples, they could be analysed and a standard for quality decided upon.

The price could then be arranged for both White and Colours and delivery points set up to which these prices would apply.

. . ."

(EBE 39-4J)

The testing of samples of exercise paper is referred to in a letter of August 19, 1940 from B. Ellison of Eddy to E. H. Smith of Howard Smith in which Mr. Ellison said:

" . . . "

I have had a careful analysis made of the two samples attached to your letter; namely, one sample of Eddy's and one of Provincial, and in spite of the brightness and the cleanliness of our sample in comparison to Provincial's our analysis shows that our groundwood content is approximately the same as that of Provincial's sample - there may possibly be a 5% difference, according to our Chemist's report. That is to say, our Bleached Sulphite may run up to 40% as against Provincial's apparent 35 to 40%.

Our Chemist reports that it is possible the poorer appearance of the Provincial sample is due to the use of de-inked stock.

All other tests of our sample as compared to the Provincial sample are nearly identical, according to our Laboratory report.

" . . . "

(EBC 58-18)

The arrangement with respect to advice as to discontinued lines which was made in August 1938, and which has been referred to earlier in this chapter, was reviewed at a meeting of the Book and Writing Section held on February 25, 1941. The minutes contain the following reference to the discussion:

" . . . "

There was some discussion regarding the necessary notice to be given by any mill which intended to change or discontinue any line. The Secretary was instructed to send to each mill an extract covering this point, from the Minutes of the Meeting held on August 30th, 1938. If any of the mills are not in accord with this minute it is to be brought up at the next meeting.

" . . . "

The minutes of the next meeting held on April 22, 1941 set out an extract from the minutes of August 30, 1938 containing the arrangement as to discontinued lines and then state:

" . . . "

It was agreed that there is no objection to The E. B. Eddy Company Limited disregarding this motion so long as no concessions are given by them in this connection.

" . . . "

Reports that one of Howard Smith's bond papers was running over weight were taken up by B. Ellison of Eddy with E. H. Smith of Howard Smith in a letter dated April 10, 1941 in which Mr. Ellison said:

" . . .

I rejected these reports as being the usual run-of-the-mill accusations which are so common among the sales departments of most every organization, until one of our representatives actually secured a ream of Alberta Bond, and after checking on the scales, it was found to be 17x22-34M or 6% overweight.

In another case I found a consumer buying Alberta Bond, replacing a former 20 lb. Bond which they had used for many years. This customer made the statement that unless we could supply our 16 lb. Bond in the same bulk and weight as Alberta Bond that they could not do business with us.

I know that you will be glad to let me have the facts so that I can destroy this report if it is unfounded; or if it should possibly be well-founded, then no doubt you will be glad to take action to correct same."

(HS 55-6B)

Mr. Smith replied in a letter of April 12, 1941 that any overweight was not intentional. In his letter he wrote:

"I have read with considerable interest your letter of the 10th regarding Alberta Bond, and I am glad to be able to say that there is no truth whatever in the accusations which have been made.

This is nothing more or less than our standard No. 7 Bond, run on the same paper machines as any other No. 7 Bond that we make and under exactly the same operating conditions.

Insofar as the weight is concerned, it is made exactly the same as all our other Sulphite Bonds. We endeavour to run the paper 1/2 lb. underweight, basis 22 x 34 - 40/500 off the machine on the assumption that the sealing wrapper will just about balance this amount so that the final weight of a sealed ream will be as nearly as possible the exact ordered weight, that is, if the ordered weight is 22 x 34 - 40/500, we run it on the machine 22 x 34 - 39 $\frac{1}{2}$ /500's, and in no case do we deliberately run overweight.

Naturally like any other mill we have a certain amount of variation in our weight and judging from the samples you have seen, it would look as though our variation on some of our runs

of Alberta Bond have been too great, however, I can assure you that this is not intentional.

" . . . "

(HS 55-6A)

At a meeting of the Book and Writing Section held on January 14, 1941 decisions were made with respect to manilla papers which are set out in the minutes as follows:

" . . . "

1. MANILLAS:

Mr. Smith reported on his recommendations in regard to Manillas.

In No. 3 Envelope Manilla it was suggested that the mills standardise on Provincial grade, Hylake. Mr. Jewett will send sample of Hylake to all members.

This was agreed to by the mills.

Howard Smith will make a run and send samples to all mills and also file with the Secretary for the next meeting.

No. 2 Manilla (Telegraph Manilla) will be eliminated.

" . . . "

In a letter of May 10, 1941 E. H. Smith of Howard Smith acknowledged the receipt of samples of envelope manilla from Eddy and said:

"Thank you very much for your letter of the 9th enclosing the sample of your latest run of Envelope Manilla. I have compared this with samples I have of Hylake and Watapeka and it seems to me that the three sheets are pretty well competitive. I think you could build a sales story about any one of them."

I am just wondering if it might be advisable for the three mills to continue exchanging samples, say once a month, on this grade, just to make sure that the quality does not get away from us."

(EHE 57-7)

After the war the arrangement with respect to job lots which had been made in 1938 was given further consideration by the mills and merchants. The following reference to the arrangement was made in the minutes of a joint meeting of representatives of mills and merchants held on May 14, 1946:

" . . .

Consideration of the mills was requested to continuing or, if necessary, reviving in operation the measures developed in 1938 to regulate conditions under which job and odd lots, including side-runs, will be made available.

. . ."

(HS 31-1)

G. W. Earnshaw, as chairman of the Book and Writing Section, wrote to Ivan Moffitt, secretary of the Canadian Paper Trade Association on May 22, 1946 in regard to the job lot arrangement. In his letter he said:

"At the meeting held in Toronto on May 14, attended by representatives of fine paper mills and merchants, reference was made to an agreement regarding the disposal of job lots of paper. This matter will be discussed at the next meeting of the Book and Writing Section, Canadian Pulp & Paper Association, in June.

In the meantime, would you kindly let us have enough copies of the agreement regarding job lots, issued from your office, for each of the fine paper mills.

. . ."

(EBC 11-2)

A meeting of the Book and Writing Section was held on June 25, 1946 but the minutes do not contain any reference to job lots. An inter-office letter of Howard Smith, dated March 10, 1947 from E. H. Smith to W. H. Aird, which deals with sulphite bonds, carries the following hand-written note: "No job lots to merchants". Such a policy of not supplying merchants with job lots would be in keeping with the arrangement made in 1938.

(d) Checking the Observance of Uniform Prices

The attention which the mills have given to the establishment of uniform list prices and conditions of sale for fine papers has already been described. Inquiries among the mills about adherence to these prices are disclosed in the following instances.

J. F. Taylor of Eddy wrote to the company's western agents on May 29, 1935 and referred to various cases which had been mentioned by E. H. Smith of Howard Smith in which Eddy was said to be selling "in any quantity at the mill price, plus carload rate of freight, etc.". Mr. Taylor stated:

" . . . When the information reached me, I immediately stated that if the Smith organization was under the impression that we were doing something we should not do, we would like to have them be a little more specific . . .

. . .

I do not mind telling you that we do not like these accusations but if there is anything in them there is no reason that I know of why we should not straighten out the situation referred to and particularly if the other mills and Fine Paper Jobbers are adhering to quantity prices, terms, and deliveries.

" . . . "

(TPW 12-30M)

Later in 1935, E. H. Smith brought to Eddy's attention an instance reported in Montreal in which a quotation was given at other than the regular price. The matter was checked by Eddy and in a letter to Mr. Smith on September 9, 1935 E. Clarke of Eddy wrote:

" . . . "

It seems we are the guilty party in this case due entirely to a mistake on the part of one of our Montreal Branch Officials. Be assured, however, we have warned them to exercise more care in making quotations, even when they are asked to do so in a hurry.

" . . . "

(HS 43-1S)

Mr. Clarke enclosed with his letter a copy of a report from the company's Montreal office which contained the following:

" . . . "

It so happened that when Mr. Carney called, he was in more or less of a rush for a price, and when the writer referred to the Trade Customs, he deducted the roll differential as contained in section 28, paragraph A, and in figuring these deductions out made an error of 10¢ per cwt., making the price \$7.65. About an hour later, however, the writer detected this error and advised Mr. Carney that the price on rolls would be \$8.00 per cwt. and also quoted section 9, paragraphs A and B covering narrow widths and small diameters.

" . . . "

It is indeed regrettable that this mistake occurred and although the order has not yet been placed by McFarlane, we fear it will be necessary to stand by the \$7.65 base price and shall see that the differentials for narrow widths and small diameters apply as contained in the Trade Customs."

(HS 43-1T)

Dealing with complaints that Eddy was selling some accounts in the province of Quebec at less than regular prices, E. Clarke of Eddy wrote in a letter of March 30, 1936 to E. H. Smith:

" . . .

We are very glad that you wrote to us about these various items because it is quite evident that in certain areas, prices are not being adhered to strictly, especially on Exercise Book stock and on Book Paper quotations to Religious Institutions in particular, throughout the Province of Quebec.

The writer had occasion to speak to Mr. Jewett of Provincial in a general way on the train the other day in connection with items of this kind and he thinks it might be a good idea to bring the matter up at the next Book and Writing Meeting with a view to clearing up irregular quotations similar to those referred to in your confidential letter to Mr. Caesar. Rest assured, this matter will be treated in strict confidence and that so far as we are concerned, no information will get back to any of the firms to which you referred.

From time to time we receive complaints from our Salesmen regarding cut prices being offered by your firm and others but we invariably take them with a grain of salt and do not, as a rule, bother you about them. It seems to the writer, however, that if a frank and open discussion took place on the whole situation at the next Mill Meeting, it should clear the air considerably."

(HS 55-19F)

Mr. Smith replied to this letter on April 8, 1936 and in addition to thanking Mr. Clarke for the manner in which the complaints had been dealt with, invited him to bring up any instances in which Howard Smith was reported to be cutting prices, (HS 55-19C). Mr. Clarke dealt with some related matters in a further letter of April 15 and referred to a report that Howard Smith had made a sale of some paper at the carload price in less than carload quantities. Mr. Clarke suggested a discussion of the matter at the next meeting of the Section.

Rolland wrote two letters to Eddy on May 28, 1936 to report price deviations (ROL 17-5B; ROL 17-6). One contained a complaint that regular prices were not being observed in the sale of Eddy paper in Quebec and the other, that Eddy distributors were not observing resale prices in the sale of bond paper in Toronto. With reference to the complaint of irregular sales in Toronto, J. F. Taylor replied in a letter on June 1, 1936:

" . . . The situation in Toronto, that is if you are referring to Fine Papers Limited, was straightened out some weeks ago and as far as we know everything is going along

very nicely; if, however, you have any other distributor in mind who is not adhering rigidly to resale prices on any of our grades and you will be good enough to let us know who it is, you can be assured that the matter will have our further attention.

" . . . "

(ROL 17-5A)

In reply to a letter from C. H. McFarlane of McFarlane Son & Hodgson, Montreal, dealing with a report that that wholesale firm had sold book paper at a low price, E. H. Smith of Howard Smith wrote on June 3, 1936:

" . . . "

As a matter of fact, I thought there must be some mistake in regard to the cut prices on Book Paper as Mr. Hubley had always given me to understand that they never had any trouble with your firm in regard to cut prices.

" . . . "

(HS 8-10R)

A memorandum of Howard Smith's, dated August 9, 1937, referred to one territory in which Eddy was reported to be offering bond paper at the three ton price in lesser quantities and the opinion was expressed that the situation would be corrected if merchants also reported to be engaging in similar practices could receive assurance that correct prices would be used by Eddy (HS 55-160). In a further memorandum of October 27, 1938 Mr. Smith stated that he had had a discussion with Mr. Clarke of Eddy who had said that Eddy was selling only one account at the mill price in less than three ton lots and that if the practice was dropped by the merchants Eddy would be glad to fall in line (HS 55-164).

Ivan Moffitt, secretary of the Canadian Paper Trade Association wrote to Eddy on June 13, 1938 and, after setting out the basis on which merchants had quoted on an order for the C.N.R., asked if Eddy had taken the order in keeping with the basis described (EBE 83-4B). E. Clarke of Eddy replied to this letter on June 21 and said:

" . . . "

I am quite sure our quotation to the Canadian National Railways on mimeograph was based on the regular price and so far as I am aware we received the order in the regular way. . . .

" . . . "

(EBE 83-4A)

Mr. Moffitt replied to Mr. Clarke's letter on June 22 and said that as perhaps he should not have taken up the matter directly with the mill he was referring the correspondence to Mr. Cadman's office (EBC 83-4).

N. E. Wainwright of Don Valley wrote to Eddy on January 20, 1939 referring to reports that certain grades were being sold in Montreal at low prices and that, in particular, a grade of ticket stock paper was being sold "at a lower cost than the fixed price" (EBC 70-3). The following hand-written notation appears under this paragraph on the letter in Eddy's files: "122.50 net as agreed with Don Valley".

Eddy wrote to Provincial on January 26, 1939 to check on the observance of schedule prices on sales to a particular account. The letter from Eddy contained the following:

"We were asked to quote these people on Plain Offset stock, and quoted in accordance with prices outlined in the Book and Writing Schedule, pages 15 and 16.

We have been given the impression that they are purchasing from you at a much lower price. If you have no objection, would you mind advising me if this report is correct.

. . ."

(EBC 75-7A)

A. P. Jewett in a reply dated January 30, 1939 made the following comment:

" . . . "

We do not sell these people anything direct, but shipments reach them through the Toronto Jobbers and we have checked up orders covering this grade destined for these people and there is no special price.

. . ."

(EBC 75-7)

Howard Smith took steps to check sales by one of its merchant companies on receiving reports from Mr. Ellison of Eddy that small sizes of bond paper were being supplied to one customer without the regulation differential for small sizes being charged. On receiving a report after an internal audit that no sales of cut stock had been disclosed, E. H. Smith wrote to B. Ellison of Eddy on December 22, 1939 and enclosed a copy of the auditor's report (HS 55-10B).

Arrangements had been made among the mills for a special allowance under certain conditions to publishers, of which a description is given earlier in this report (see pp. 121-123). On August 3, 1940 E. Clarke of Eddy wrote to A. P. Jewett of Provincial in regard to the granting of the

allowance to a publisher whom Eddy did not consider was entitled to the special price (EBE 59-3A). Mr. Jewett's reply on August 6 contained the following explanation:

" . . .

On looking this up, I found an order, which we took from them early in June, for 18 tons of No. 3 Book S. C., and which was taken at the then list price of \$6.60 per cwt., less \$1.00 per cwt. as it was for use in the publication 'Le Courier du Cinema', which enjoys second class postage privileges.

If you do not think we were right in accepting this order in this way, we would be very glad to discuss it with you at the first opportunity."

(EBE 59-3)

Ivan Moffitt, secretary of the Canadian Paper Trade Association, wrote to Eddy on February 4, 1941 in regard to a reported sale by Eddy of 1000 lbs. of bond paper which did not conform to regulations of the merchants governing freight equalization on such shipments (EBE 36-4B). A company memorandum of February 6, 1941 contained the following instructions with respect to future orders of this kind:

" . . .

Shipments of printing paper sold at resale prices are f.o.b. Toronto, Ottawa or Montreal. The paper merchants sell on this basis and we cannot expect an advantage. While no debit will be issued in connection with your order #12, will you please take note that on future orders resale prices will not be entered 'Prepaid'."

(EBE 36-4C)

A report from Howard Smith that one of Eddy's distributors was selling a grade of bristol paper at an irregular price led Mr. Ellison of Eddy to ask the Toronto branch of his company to check the matter. A report of the investigation was given by Mr. Ellison to Howard Smith in a letter of April 16, 1941 from which the following is taken:

" . . .

Without in any way divulging to Messrs. Fine Papers Limited the source of my information, I have had our Toronto people check into the matter very closely, both verbally and by going over the books of Messrs. Fine Papers Limited.

We have the absolute denial from Mr. Fred Halls that such a transaction took place, and we were unable to locate any evidence that there was such a transaction.

Mr. Halls goes further to say that all of their books and invoices are audited and that any error in making a sale of this kind would be uncovered.

Mr. Halls further suggests that if a doubt still exists in my mind as to whether or not the information he passes along to me is accurate, he is perfectly willing to have the auditors re-examine his transactions thoroughly. He is quite willing that the auditor be given more specific information as to whom the sale was made, the approximate date, the quantity involved, etc. so that the auditor can look for some specific violation; and he claims that they will not find any.

• • •"

(HS 55-5B)

Mr. Ellison of Eddy wrote to A. P. Jewett of Provincial on April 14, 1941 seeking assurance that no special prices were being given in connection with the sale of mimeograph paper to certain school boards. His letter included the following:

"No doubt I have been furnished with misinformation, but in order that we may all be clear on the subject, I would appreciate it if you would assure me that there is no special price, allowance, or concession made to any merchant or supplier who sells Mimeograph to the Toronto Board of Education or to the Hamilton School Board.

In other words, I just want to be sure that we are not deluding ourselves by trying to quote regular accepted, understood prices on Mimeograph to the suppliers of the different school boards, and are expecting to get a share of this business at a competitive price, only to find, sometime later, that we never were competitive on this business.

I would appreciate if you will confirm there is no special arrangement, allowance, or concession made in connection with this type of business, and I am asking Ned Smith and Roy Ecclestone, if they care to do so, to let me have their assurances also.

• • •"

(EBC 56-5C)

In Mr. Jewett's reply of April 16 the following statement appeared:

" . . .

So far as I am aware no concessions are made by the mills on this business but I do believe the matter has resolved to a scramble for these orders between the machinery houses and the

paper merchants. If you would care to speak to me about the above matter when I am in Montreal next week, I may be able to throw some further light on it for you."

(EBE 56-5B)

A copy of Mr. Ellison's letter of April 14 was sent to Mr. Smith of Howard Smith, who made the following comments in a letter of April 17:

"Replying to your letter of the 14th to Mr. Jewett, a copy of which you sent to me, I can find no record of our having made any special price or offer any special terms or conditions in connection with Mimeograph for the Toronto Board of Education or the Hamilton School Board.

However, George Davidson is out of town and I would prefer not to make a definite statement until I check the matter with him. I will, however, have complete information at the Book and Writing meeting on Tuesday."

(EBE 56-5A)

R. H. Ecclestone of Rolland also wrote to Mr. Ellison about the same matter on April 18 and in his letter he said:

" . . . I would just like to assure you that we have no knowledge of any special prices, allowances, or discounts of any kind to anyone, in connection with this grade of paper.

. . . "

(EBE 56-5)

Later in April 1941, Mr. Ellison took up with the same mills the question of the observance of quantity prices for book, litho and offset papers. In a letter of April 26 Mr. Ellison referred to reports he had received that sales were being made at the 18 ton price in 5 ton quantities (EBE 57-6A). The following comments were included in a reply made by E. H. Smith of Howard Smith on April 28:

" . . . "

Our standing instructions are that these quantity prices on book, litho and offset are to be enforced to the letter and deviations from these prices are not permitted without my personal approval, which I may say I have never given.

. . . "

(EBE 57-6)

Mr. Ecclestone of Rolland, replying on the same day, stated in his letter:

" . . . we have maintained and are maintaining the set up on these papers and are not supplying any buyers at the eighteen ton price on lesser quantities.

. . . "

(EBE 57-6B)

In Mr. Jewett's reply, also dated April 28, he said:

" . . . "

The answer, in our opinion, is that quantities are being well maintained. If they were not there would be a lot of grumbling and little of this has reached our ears. But we did have a case to-day where a lithographer who, on Friday last, gave us an order for a car (including one 5,000 lb. item) called up and cancelled the order when he saw our acknowledgment showing the higher price for the $2\frac{1}{2}$ ton item. In this case we have no knowledge of any other mill conceding the car price on the whole order and are inclined to believe that they are merely trying to force our hand. We will not, of course, give in on this and it simply illustrates what is going on all the time.

. . . "

(EBE 57-6D)

Activities of salesmen in seeking business from bank note companies was the subject of correspondence between the Eddy and Howard Smith companies in 1941. In a letter of April 30, 1941 to E. H. Smith, Mr. Ellison of Eddy said that he would not complain about efforts to "sell a comparative or similar grade of paper at a comparative or similar price" but when customers are told by a salesman that "he will furnish them with a far better sheet at the same price, or a similar sheet for a lower price, and will go to the extent of making a special high grade sheet for their exclusive and particular use, it is not conducive to stabilization of the market." Later in his letter he wrote:

"We don't want to have to keep reducing our prices to the Bank Note Company, and, frankly, we have been assured time and again that at a competitive price we will continue to enjoy this business. Therefore, I would appreciate very much indeed your investigating the matter and letting me know whether your attitude checks with mine in this connection and we will, of course, co-operate with you in similar instances such as I have already done in the case of F. N. Burt, etc.

. . . "

(HS 55-4E)

With respect to the activities of the salesmen, Mr. Smith stated in a lengthy letter of May 3, dealing with various incidents mentioned by Mr. Ellison:

" . . .

. . . He has not criticized either your product or your price, but he has pressed for this business from time to time on the basis of the quality of product which we feel that our organization can produce, but always on an equivalent price basis.

. . .

. . ."

(HS 55-4B)

The manner in which reported departures from established prices were checked on occasion is illustrated by a letter of July 23, 1941 to Howard Smith from B. Ellison of Eddy in which he said:

"This will confirm our several confidential telephone conversations of today's date in which you assured the writer that there was no concession of any kind whatsoever being allowed by the Howard Smith Paper Mills on purchases by La Cie Canadienne Papeterie of White Wove Exercise and that your prices are the regular schedule delivered prices and that you were shipping to these people via truck freight prepaid and making no trucking allowance.

. . ."

(EBE 57-10)

B. D. Millidge of Alliance wrote to A. P. Jewett of Provincial on January 17, 1942 in regard to the basis on which coated paper was being supplied by Provincial to a particular account. In his letter Mr. Millidge wrote:

"We have been led to believe that you are selling coated paper to T. B. Little, Montreal, at the carload price for practically any quantity. I do not think this statement is quite correct, and was wondering if you would be good enough to give me an idea of how it is being handled."

It is not necessary to write me, but might let me know sometime. We do not intend to use the information, but to make sure that it is being handled one way or the other."

(PLT 2-2)

In December 1947 the Winnipeg office of Howard Smith took up with the Eastern offices of the company what was considered to be a difference between the practice followed by Howard Smith and Rolland in charging for

duplicating stock in cut sizes. This led to the matter being taken up with Ivan Moffitt, secretary of the Canadian Paper Trade Association, and then by the head office of Rolland with its Winnipeg office. The question involved was whether Howard Smith made a 15¢ cutting charge on sales to merchants whereas Rolland and Eddy made no such charge. The Eastern offices of Howard Smith said that the question had arisen because of a misunderstanding of Howard Smith's practice which was not to make such a charge on sales to merchants. In a letter of January 9, 1948 the Toronto office of Howard Smith wrote to the Winnipeg office of the company:

"It has taken a little while, but I finally got some information from Ivan Moffit to-day. Mr. Moffit has been in touch with Roy Ecclestone and I am informed that Rolland's set-up is exactly the same as ours.

Apparently he has also written to Don Williamson in this connection and if there is still any doubt, I suggest that you discuss this matter with George Brain, (Rolland, Winnipeg) that he has all the information out there and there should be no difficulty in getting this thing straightened out."

(HSW 3-6C)

The Winnipeg office of Howard Smith did not consider that the matter had been fully cleared up and made the following report in an inter-office letter of January 21, 1948:

"I have discussed the matter with Don Williamson and George Brain and while the matter has been discussed among the Merchants up here apparently there has been no change made in Rolland's setup, which at present considers cut sizes a stock item and does not carry an upcharge of 15¢ on shipments to merchants warehouses."

(HSW 3-6B)

Further explanation from the Toronto office of Howard Smith, in an inter-office letter of January 23, was to the effect that the upcharge was not made by the company on sales to merchants and in this connection the writer said:

" . . .

I hope that this has now been clarified and I am sure that if the Merchants who have received cut stock from us will check their invoices that they will find that they have not been charged for cutting."

(HSW 3-6A)

VI. Arrangements Among Merchants for Non-Competitive Prices

(a) Control of the Wholesale Trade in Fine Papers by
Members of the C.P.T.A.

Throughout the period for which information is available, and at least from 1934 on, the C.P.T.A. has embraced by direct membership or by association in local or sectional arrangements all but one or two of the firms in Canada carrying on business as fine paper merchants and recognized as such by one or more of the Canadian fine paper mills. Although two important merchants, T. B. Little of Montreal and Wilson-Munroe of Toronto, have at times been out of the C.P.T.A. for some appreciable period, the documentary evidence indicates that during their periods of non-membership in the national organization they remained associated with members and, in fact, subscribed to important local arrangements initiated during these periods. At the sixteenth annual meeting of the C.P.T.A. in 1934 the following comment was made as to membership in one report:

" . . . "

We, of the Central Section, are glad to welcome Messrs. W. V. Dawson, Limited, who have renewed their membership in our Association during the past year. This means that with one exception, every Fine Paper Merchant in Canada is a member of our Association and I doubt if any other Trade Association can show such a complete membership.

. . . "

(BET 7)

The one exception referred to may have been Wilson-Munroe.

Table IX (pages 32-34) lists the fine paper merchants who were C.P.T.A. members in 1950. There were two other firms, one in Quebec and the other in Ontario, who were able to purchase fine papers from one or more of the mills for purposes of resale. These two merchants were Emile Robitaille of Quebec City, who has been recognized as a direct account by Eddy since, at least, 1940, and London Paper Co. Ltd. of London, Ontario. The latter apparently carried on a wholesale trade in fine papers for some period, but its business in recent years appears to have consisted primarily in the procurement of supplies for an allied converting company. Members of the C.P.T.A. made fine paper sales to a total value of approximately \$23,500,000 in 1948. On the basis of information obtained during the inquiry, it can be concluded that the trade in Canadian fine papers conducted by the members of the C.P.T.A. constituted more than 95 per cent of such wholesale trade in Canada.

The concentration of the wholesale trade in fine papers in the hands of members of the C.P.T.A. follows from the fact that, with the minor exceptions noted above, the firms making up the membership of the Association are the only ones recognized as merchants by one or more of

the fine paper mills. This situation has at all times been jealously regarded by members of the C.P.T.A. and the members have closely guarded the acceptance of new members into the Association. Article III of the by-laws of the C.P.T.A. relates to membership and for some time prior to 1941 this article read as follows:

"Article III - MEMBERSHIP"

- (1) A Fine Paper Dealer or Merchant is defined as follows:

A Corporation, Firm or Individual, whose principal business is selling for resale or processing, and carrying a general stock of the various grades of stock sizes and weights of Fine Papers, Cardboards, Envelopes, etc., from which any quantity, large or small, can and will be sold.

- (2) Applications for membership shall be made to the Secretary, and shall be referred to the territorial section, whose action thereon shall be final."

(MCF 10-16)

Between 1935 and 1941, when paragraph (1) of Article III, at least, was in the form given above, only three new members joined the Association, not including business successors of previous member firms. One of the firms becoming a member was Fine Papers Limited, Toronto, whose acceptance into membership in 1937 is described in Chapter VIII. The other two firms, which commenced business as individual proprietorships, were Hillier Paper Company, Winnipeg, which became a member in 1938, and John Neville Paper Company, Ottawa, which became a member in 1940. The principal of Hillier Paper Company had been an officer in a member company for a number of years prior to 1935, while the owner of John Neville Paper Company had been manager of an Ottawa branch of a member company until control of the latter was changed in 1939 and shortly thereafter formally assumed by Howard Smith.

Although the definition of a fine paper merchant, as set out in paragraph (1) of Article III, had been adopted at least as early as 1923 and had remained unchanged since that year, action was taken to revise it at a special general meeting of the C.P.T.A. held in June 1941. Some months previously an application for membership had been submitted by Emile Robitaille of Quebec City, but action on it had been deferred according to the following report in the minutes of a meeting of the Executive Council of the C.P.T.A. held on January 29 1941:

"MEMBERSHIP - The application for membership submitted by Emile Robitaille under date of November 18th, 1940, was presented. It was considered insufficient information was available to determine as to the qualifi-

cations of the applicant under the By-Law defining a Fine Paper Merchant, and it was left over for further enquiries to be instituted.

...
(SDW 22-24)

The amendments made in June 1941 resulted in Article III of the by-laws from then on reading as follows:

"Article III - MEMBERSHIP"

- (1) A Fine Paper Dealer or Merchant is defined as:

A Corporation, Firm or Individual, whose principal business is selling for resale or processing, owning outright and carrying a general stock (to a cost value of not less than \$50,000 and \$35,000 in metropolitan areas of more than and less than 20,000 population respectively) of the various grades of stock sizes and weights of Bond, Ledger and Writing Papers, Book Papers - plain and coated, Cover Papers, Cardboards and other Fine Paper lines; from which any quantity, large or small, can and will be sold.

- (2) Applications for membership shall be made to the Secretary, and shall be referred to the territorial section, whose action thereon shall be final.
- (3) A member may withdraw from membership in the Association by giving in writing to the Secretary three months' prior notice of its intention so to do; and during the period of such notice the member shall be subject to the obligations and responsibilities involved under such membership in the Association."

(MCF 10-15A)

No new member has been taken into the C.P.T.A. since the amendment of the by-laws in June 1941. This was, of course, in part an abnormal period when both wartime control requirements and shortage of supply tended to prevent candidates from appearing. The evidence indicates, however, that these were not the governing reasons. A reference to the application made by Emile Robitaille is found in a letter dated October 10, 1941 addressed to members of the C.P.T.A.'s Executive Board, this apparently being a new name for the Executive Council, in which Mr. Moffitt wrote of various matters for attention at a meeting of the board to be held on October 20 and listed one subject as:

¹¹Membership-Application of Emile Robitaille, Quebec City,

filed in 1940 and held in abeyance."

(MCF 12-7C)

There is no further reference in the documentary evidence to this application and no indication whether the requirement as to value of stocks carried, or some other feature, was involved in the consideration given to it. It is a matter of record that Emile Robitaille did not become a member of the C.P.T.A.

A later application for membership in the C.P.T.A. was that of Lauzier Paper Limited of Montreal, a jobbing company which had been formed in 1945 by a former employee of J. B. Rolland and which had not been recognized as a direct account by any of the fine paper mills. The application was apparently referred to the territorial section concerned, in view of the following reference in the minutes of a Quebec Sub-Section meeting held on October 31, 1945:

" . . .

Application for membership submitted by Lauzier Paper Limited was presented for consideration. It was decided to advise the Executive that the Sub-Section could not recommend acceptance, as at present no information is available that the applicant can meet the requirements for membership under the by-laws.

. . . "

(LIT 7-62)

Minutes for an Executive Board meeting, which was held on November 27, 1945, record:

" . . .

MEMBERSHIP Lauzier Paper Limited is to be interviewed by the Secretary respecting its application for membership.

. . . "

(LIT 3-29)

No further reference to the application under consideration in 1945 was found in the documentary evidence, but the following appears in the minutes of an Executive Board meeting held on March 23, 1948:

" . . .

MEMBERSHIP Letter from Lauzier Paper Limited, Montreal, was read enquiring as to procedure in making application for membership. The Secretary was dir-

ected to advise the qualifications, and if application is received, to interview the Company before it is submitted for consideration.

" . . . "

(HOT 14-3A)

On April 2, 1948 Ivan Moffitt wrote to J. Lauzier of Lauzier Paper Limited, Montreal, and said:

"Since your letter of February 26th, I have been trying to arrange, but without success, to have a chat with you.

The definition of a fine paper dealer or merchant, as contained in the by-laws, is stated as:

A Corporation, Firm or Individual, whose principal business is selling for resale or processing, owning outright and carrying a general stock (to a cost value of not less than \$50,000 and \$35,000 in metropolitan areas of more than and less than 20,000 population respectively) of the various grades of stock sizes and weights of Bond, Ledger and Writing Papers, Book Papers - plain and coated, Cover Papers, Cardboards and other Fine Paper lines; from which any quantity, large or small, can and will be sold.

Applications are made by letter to the Secretary, with appropriate statements as to qualification, etc. The Secretary then interviews the applicant, following which the application is presented to the membership for action.

I may be in your City on Wednesday next, and if any point has been left in doubt, perhaps you would telephone our office leaving a message for me."

(HOT 1-2A)

It will be noted that Mr. Moffitt did not quote Article III(2) of the by-laws as given above. No further reference to this later application was found in the records of the C.P.T.A. and Lauzier Paper Limited did not become a member of the C.P.T.A.

It appears evident that more than one application for membership in the C.P.T.A. has been made in the hope that acceptance would assist the applicant to secure supplies of fine papers more readily, either by recognition as a direct buyer by one or more mills or by being permitted to participate in certain stock-sharing privileges which have been available to members in a particular territory. The mills reject any suggestion that their acceptance of customers depends

upon membership in the C.P.T.A. and point to the fact that in a number of cases they individually do not accept all C.P.T.A. members as customers and, in the exceptions which have been referred to above, one or more mills supply merchants who are not members of the C.P.T.A. An outside jobber with some knowledge of the organization of the trade, however, could scarcely fail to be aware of the substantial community of interest between the mills and the members of the C.P.T.A. or to think that membership in the C.P.T.A. would be of assistance to him in getting supplies of fine paper.

The stock-sharing arrangements which have existed among local groups of the C.P.T.A. permit a merchant to fill orders in ex-warehouse quantities for lines of paper which he does not normally stock, either because he is not recognized as a direct mill buyer for such lines or because he has infrequent orders for them, or of which he is temporarily out of stock. Under the arrangements, a merchant in these circumstances may obtain the paper required from the warehouse stock of another member in the same locality at a discount from the prevailing resale price. The discount given, which has normally been at the rate of 10 per cent, gives a working margin to the merchant taking advantage of the arrangement to fill his customer's order.

The advantages of the reciprocal stock-sharing arrangements among members of the C.P.T.A. have been particularly apparent with respect to those lines of fine papers whose distribution has been made on what is loosely called an "agency" basis. That is, the manufacturer confines his sales of such lines to one or a limited number of merchants in each territory. For a number of such lines, the smaller merchant particularly would have no direct mill source of supply and would be unable to complete a customer's order calling for such lines if he could not draw on the stocks of a merchant who was a direct mill buyer. This privilege, if it could be secured, would be of particular value to any firm seeking to become established as a fine paper merchant and which had not been accepted as a direct buyer by a domestic mill. Such a firm, depending upon imports of fine papers for the principal stock in trade, and upon papers of domestic manufacture secured in a roundabout way would inevitably have gaps in the stocks of paper carried which could be overcome, to some extent at least, if supplies could be secured from fellow merchants under stock-sharing arrangements. The stock-sharing privilege in such a case might mean the difference between success or failure. But, as has already been mentioned, these arrangements embraced only members of the C.P.T.A. If the extending of the privilege were a matter of independent policy on the part of each merchant, depending upon the quid pro quo that he in turn received, then, of course, no objection could be taken to it; such an arrangement takes on a different aspect, however, when, as a matter of common agreement, the parties limit the arrangement and use it to protect their monopoly position. That a departure from the practice of making supplies available only to fellow members was regarded with disfavour is indicated by a memorandum dated July 12, 1948 found in the files of J. B. Rolland, referring to efforts made by a non-member company, Lauzier Paper Limited, to secure supplies from a member in Toronto:

"Re. - Toronto Matter - United Paper to Lauzier"

Mr. Hubley (Federal Paper, Montreal) advises that he spoke to Mr. Moffitt and Mr. Finlay (United Paper, Toronto), who was in Mr. Moffitt's office at the time.

Mr. Moffitt negotiated the matter and it has been settled that United Paper will not sell to Lauzier in future, as of date Mr. Hubley spoke to Mr. Marcel Rolland (J. B. Rolland), he thinks it was the 7th of July, 1948.

Mr. Hubley was definitely of the opinion that same should not continue.

B."

(JBR 20-4)

Montreal merchants, including Federal and J. B. Rolland, who were recognized by the mills, thus had a common interest in preventing Lauzier of Montreal, who was not so recognized, from obtaining papers from other recognized merchants in Toronto.

Complete information as to the merchant accounts recognized by the mills was only received during the inquiry for the period 1937 to mid-1949. During this period the mills did not recognize any new merchant customers in any of the cities of Montreal, Toronto and Vancouver. During this same period the only merchant with a warehouse in any of these cities which was accepted into membership in the C.P.T.A. was T. B. Little which rejoined the C.P.T.A. in 1943 after resigning in 1938. In 1948 nineteen out of the twenty-nine members of the C.P.T.A. had their principal places of business in one of these three cities and in that year sales of such head offices and branches made up more than 75 per cent of the total fine paper sales made by C.P.T.A. members.

(b) Merchants' Pricing Practices

For as far back as records of the C.P.T.A.'s activities were obtained there is evidence that the establishing of uniform selling prices was a principal purpose of the association.

An early illustration of agreement upon pricing policies is found in a resolution passed at a C.P.T.A. meeting held on October 26, 1922. It read as follows:

"WHEREAS unsatisfactory conditions exist at the present time regarding resale prices

BE IT RESOLVED, that all houses undertake to sell at their regular published list prices, f.o.b. warehouse, with freight equalized on established delivery points east of and including Port Arthur and Fort William. All paper sales made west of Port Arthur and Fort William to be at list prices

F.O.B. Toronto or Montreal.

... "

(MCF)

The pricing systems used in each of the different sections or sub-sections of the C.P.T.A. had features peculiar to the group immediately involved. However, basic to each of these systems was the fact that the members in each locality had accepted a policy that their selling prices and conditions of sale should be the same. The acceptance of such a policy was so fundamental to the operations of the merchants in their various sections and sub-sections of the C.P.T.A. that no one said, and the available records do not show, how long ago it was originally decided upon. It seems probable, from the evidence available, that the decision to follow common selling prices and conditions of sale was made even before the C.P.T.A. was formally organized and that all the various arrangements, agreements and negotiations described in this report were made by way of re-affirmation or development of the basic understanding which was known to and accepted by each merchant, as he joined the association.

The C.P.T.A.'s sixteenth annual meeting was held in February 1934 and the following quotation from the "President's Address", made by G. H. Allen of Buntin Reid, Toronto, throws some light on the C.P.T.A.'s activities at that time of depressed markets:

" . . .

It has been forcibly brought home to each and everyone in our Trade; the hopeless morass in which we would labour were our Association anything but a live factor from day to day. It therefore behoves us to keep closely together, have our activities work thro' our Secretary's office, and take full advantage of the information he has immediately available, or within his reach. By so doing we can solidify our organization in all its undertakings and thereby get full benefit of the better conditions which are now reported in other industries.

Your Association can just be as strong and healthy as you like to make it. If we give unselfishly, our reward will be great in proportion to our contribution.

Members will, I hope, cease the vicious practice of setting up preferred accounts, discourage collective buying, and concede their brother Merchant a right to his profit and livelihood. Any deviation from our listed prices or conditions of sale on the part of one member weakens our whole structure, and is liable to spread past redemption. It likewise conveys to our sources of supply, as well as our customers, that our resale prices must be too high when

we do not adhere to them.

" . . . "

(BET 7)

The report of the treasurer at the same annual meeting stressed the value of the association as an organized body in dealings with the mills and as a meeting ground for merchants in dealing with local and also more general conditions. In the following part of his report he measures the advantages of the association to the members against the cost of maintaining it, which was then in the neighbourhood of \$7,000 per annum:

" "

Now, gentlemen, what do we get for this sum of seven thousand dollars! By comparison is it not a minimum expenditure for the benefits that are made available to us all? First and foremost, we are enabled, through the medium of the organization, to treat jointly with our principal suppliers, the Canadian Mills, thus ensuring more uniform conditions. This applies with equal force to the manufacturing as well as the distributing branch of the industry. It is, in my mind, the greatest safeguard to the continued stability and prosperity of the Fine Paper business, and is a privilege that should be jealously guarded.

Then we have a common meeting ground through which to give effect to mutual undertakings with the mills, and to consult and act upon problems and conditions peculiar to our own trade in local territories and as it affects the whole. There is perhaps, not the least important factor that a growing confidence is being placed by the mills in the merchants as distributors of their merchandise which must be considered a valuable contribution to the stable market upon which the merchants have been able to operate during these trying times, and should not be undervalued as one of our chief benefits.

" . . . "

(BET 7)

As has already been pointed out, the acceptance of uniform merchant prices in each territory is of such long standing that few references are found in the documentary record to express statement of such basic policy of the C.P.T.A. One such reference is found in a report made to the C.P.T.A.'s twenty-third annual meeting in January 1941 by Gilbert Garnett, then of Mid-West Paper Sales, Winnipeg and chairman of the Prairie Section, in which Mr. Garnett said:

" . . .
In accordance with the main principle underlying the activities of the association, perhaps it could be affirmed as equally applicable to all sections that the prices and conditions of sale agreed upon in any territory should be binding upon all members regardless of geographical location.
. . . "

(KRV 5-26)

"The prices and conditions of sale agreed upon in any territory" referred to in Mr. Garnett's report, were the uniform prices and conditions adopted by the members of the C.P.T.A. in each of the sections or sub-sections. From the wording of his report, Mr. Garnett was seeking an extension of the principle of uniformity of prices so that if a member in one section made a sale to a customer located in another section the member would observe the prices adopted by the members in the section in which the customer was located. The situation at this time was apparently such that customers located in some cities in the Prairie Section, by purchasing paper at the Central Section price, f.o.b. Toronto or Montreal, could secure supplies at a lower price than the price adopted in the Prairie Section, even after paying freight charges. This was not the first occasion on which proposals were made in the C.P.T.A. to secure general acceptance of the prices adopted in each section and further reference to such proposals is made later in this report.

The resolution passed on October 26, 1922, which is quoted at the beginning of this section, makes reference to "regular published list prices". Apparently the merchants, or some of them, have for years published their ex-warehouse selling prices for the fine papers carried by them in stock. When this inquiry started these price lists were known as "printer's price lists", and were being put out from time to time by almost every fine paper merchant in Canada. Presumably these price lists got their name because they were circulated only to persons considered to be legitimate buyers of fine papers at wholesale and printers were the largest class of these.

The merchants' printer's price lists have undoubtedly been of considerable use to the individual buyer of fine papers and, in addition, have become an essential advertising medium for the individual merchant. Ordinarily, a printer's price list is prepared in loose leaf form so that changes may be made without it being necessary to reprint the whole list.

The individual "printer's price list" has been designed to give full information on the cost to the customer of any of the fine papers listed by the merchant if the customer should order paper in an "ex-warehouse" quantity. Thus a typical Montreal printer's price list of 1948 gave, for the bond papers shown, information on the

following points:

Trade names of papers carried in stock.
(from these the buyer would recognize the
grades.)

Sizes, weights and colours of the particular
paper carried in stock.

Price per pound for each of the papers in each
of the four quantity classifications shown.

Assorting privileges allowed.
(These privileges permitted the buyer to
divide the quantity required to obtain a
discount among several kinds or variations
of papers.)

In addition, such a price list contained general information on
cash discount terms, cutting charges and a general description of
trade customs as they might affect dealings between the customer
and paper merchant either on matters of price or otherwise.

Taken as a whole, the printer's price lists set out in a
careful and easily understood way a very considerable amount of
factual information. The following paragraphs indicate the methods
by which uniformity of prices and conditions of sale was achieved
for price lists in effect at the same time in the same territory.

(i) C.P.T.A. Records

As has been indicated earlier, an extended written record
of all matters considered and acted upon by the C.P.T.A., its sections,
committees and officers was not obtained during the investigation.
For example, the oldest copy of the by-laws of the C.P.T.A. obtained
was marked "Revised to January 25, 1940". Article VII of this edition
of the by-laws, which apparently remained in effect up until the time
of the investigation, is as follows:

"It shall be the duty of the Secretary to keep a record
of the proceedings of the Association at its meetings;
to keep a correct roll of the members of the Association;
to conduct all correspondence; and to perform such other
duties as the Executive Council may direct."

(MCF 10-16)

Mr. Moffitt, secretary of the C.P.T.A., did not retain a full set of the records of proceedings at the various meetings he attended nor, apparently, did anyone else. Mr. Moffitt was questioned about his practices insofar as the keeping of records was concerned and his evidence was as follows:

"Q. It says in the by-laws your duty is to keep a record?

A. It does not say for all time. It does not say you keep a perpetual file.

Q. Then, what happened to the records?

A. We keep them as long as they are needed for the purposes of the association.

Q. How long do you consider that is?

A. We review our needs at the end of each year and anything that is still alive stays in the record. If it is finished with, there is no purpose in keeping it.

Q. So, they are destroyed then?

A. Every year the records of our office are weeded through, yes."

(Evidence, pp. 48,9)

A considerable body of documentary evidence on the proceedings at meetings of both the C.P.T.A. and its various sections was built up from individual records found in a large number of places, some of these being Hodder & Moffitt offices in Toronto, Montreal and Winnipeg, and some of them being the various offices of the fine paper merchants. A comparison of the more formal records that were found with contemporaneous documents such as memoranda and letters passing between various members and officers of the C.P.T.A. or its sections and internally within the individual firms shows that such formal record of proceedings as was made and maintained was not always complete or truly revealing of what had actually taken place.

The "Report of the Prairie Section" as included in the record of the proceedings of the C.P.T.A.'s Thirtieth Annual Meeting, held in June 1948, is a case in point. It seems that in this instance, S. A. Clark of Clark Bros., Winnipeg, as chairman and nominated representative of the Prairie Section, gave an oral report on the activities of the

section for the past year, at this meeting. On June 29, 1948 Mr. Moffitt wrote to Mr. Clark and said:

"When you can find a few minutes of spare time, we should be glad indeed to receive a memo of your report on behalf of the Prairie Section as presented at the Annual Meeting.

It may be as brief as you like. I believe it would be well if, as far as possible, we should omit any reference which might indicate arrangements on prices or pricing.

. . ."

(CBC-1G)

Whether he intended to use it as a draft from which he would speak in making his report or as a draft setting out what he had said for use in preparing a reply to be sent to Mr. Moffitt, Mr. Clark prepared a memorandum, which he did not date, in his own handwriting. It included the following:

"Price Changes: The staggered announcements of price increases by the mills has been met by all houses putting the mill prices in effect as soon as announced by each mill . . . no hardship has been experienced. Ex Warehouse prices have been made effective after the last mill announcement. By this time we have had H & M price sheets & had an opportunity to mail new price sheets to the trade on the date agreed that they be made effective. How we will handle our ex warehouse price changes should the mills start dropping prices (eg make all mills lines effective with 1st mill announce) is a problem that will have to be worked out when & if it comes.

. . .
Reduction of Mark ups - We had one dissenting member who has argued for a reduction in mark ups of approx 5% to cover (i.e., offset) increases announced by mills in May . . .

Reasons:-

- 1 - Increased volume of business over 1939
- 2 - Increased costs of doing business has not increased as much as gross profit.

However beside the lack of agreement by other members supplying mills have expressed disapproval so no action

will be taken."

(CBC - 1B)

In evidence, Mr. Clark said of this document:

" . . . this is not anything official. That was just a memorandum. If I had known you were going to read it I would have filled in the details."

(Evidence, p. 2488)

An amended version of this handwritten report was sent to Mr. Moffitt on August 9, 1948. This version did not include any of the excerpts from the handwritten memorandum as quoted above. The report sent to Mr. Moffitt on August 9 was revised again by him before appearing in the record of the proceedings as circulated to the members. The only part of the report as submitted by Mr. Clark that referred to prices was deleted by Mr. Moffitt before it was circulated to the members. It read as follows:

" . . .

FREIGHT ADVANCES - For the Western Members the Mills price advances in May included a freight advance of \$5.00 a ton.

" . . ."

(CBC 1A)

Mr. Moffitt gave evidence on the matter of preparation of reports:

"Q. Now, when you were preparing reports of meetings and so on, did you not, on occasion, revise the reports which had been submitted to the annual meeting of the C.P.T.A. for publication?

A. Undoubtedly I have at times.

Q. Did you not specifically revise those reports when they disclosed evidence of price fixing activities?

A. That would not be my principal interest in it, no.

Q. You say it would not be your principal interest, was it one of them?

A. It could have been.

Q. I am asking you, was it or was it not?

A. Yes."

(Evidence, p. 50)

Because complete records of meetings, arrangements and discussions were not kept and because such records as did survive do not always contain a full or realistic report of what actually transpired and sometimes make no mention at all of some decision taken, it is sometimes impossible to fix the effective date of the adoption of some proposed plan although evidence available as to standard practices being followed at some later date clearly establishes the fact that the proposal known to have been up for consideration was adopted.

(c) Pricing Practices in Central and Maritime Sections

The names of the fine paper merchants operating warehouses in the Central Section of the C.P.T.A. may be found in Table IX. In 1948 these firms made fine paper sales to a total value of approximately \$18,000,000 which was just over three-quarters of the total fine paper sales made by all the members of the C.P.T.A. In 1948 all the merchants shown as having warehouses in Toronto were from time to time represented at meetings of the Ontario Sub-Section as they had been for many years previous to that. In the same year all the merchants shown as having warehouses in Montreal, with the exception of Wilson-Munroe, were members of the Quebec Sub-Section and were represented at its meetings or kept informed as to the decisions made.

In the Central Section the basic pricing manual is what in oral evidence Mr. Moffitt called "the black book" (Evidence, p. 66) and what in this report will be referred to as the "Hodder & Moffitt Schedule". As constituted in 1949, this loose-leaf document contained about 170 pages. As it had for some years, it included full price information for direct mill shipment and ex-warehouse shipment sales for merchants selling in the territories covered by the Ontario Sub-Section and the Quebec Sub-Section and similar information with respect to the Maritime Section.

Ex-warehouse prices as shown in the Hodder & Moffitt Schedule were calculated by use of agreed formulae, also included in the Schedule and each of which was set out on a page headed "Classification of Grades and Mark-Up Schedule". In 1949 there were fourteen of these pages, each one applying to one or more types of fine paper. These were:

Sheet No. 1000 - Bond, Ledger, Writing, Duplicating, Stationery, Coated Bond, Envelope Wove & Cartridge Papers

Sheet No. 1002 - Rag Content Manifold, Lightweight Typewriter, Air Mail Paper, Sulphite Onionskin, Carbon Copy Paper, Sulphite Waxing Paper

Sheet No. 1010 - Deckle Edge and Fancy Text Papers (in Book weights)

- Sheet No. 1012 - S.C. & E.F. Book, Offset, Opacity Catalogue,
Antique, Featherweight, Eggshell, Tariff
- Sheet No. 1020 - Coated Book and Litho Papers, Embossing Cover
(See Sheet No. 1012 for other Coated Cover
Papers)
- Sheet No. 1024-A - Coated Book, Litho - SECONDS
- Sheet No. 1030 - Cover Papers, plain, embossed and coated
(except Text Cover Papers and Coated Embossing
Cover)
- Sheet No. 1034 - Text Cover or Cover Weight Papers
- Sheet No. 1040 - Bristol Boards and Blanks (Uncoated)
- Sheet No. 1044 - Coated Blanks and Bristols
- Sheet No. 1046 - Blotting Papers, Uncoated
- Sheet No. 1048 - Coated Blotting Papers
- Sheet No. 1050 - Gummed Papers
- Sheet No. 1054 - Tag Boards

(HOT 34-1)

Although the make-up for each of these sheets was essentially similar there were differences in detail. They all, with the exception of sheet No. 1024-A, provided information for the calculation of prices of both domestic and imported lines of papers. In the following table the information given on sheets No. 1000 and 1012, insofar as Canadian lines are concerned, is set out to illustrate the difference in detail that the various sheets incorporated.

Table XI

Two Examples of Merchants' Classification of Grades and Mark-Up Schedules
Central Section, C.P.T.A., 1948

Classification of Grades and Mark-Up Schedule

Bond.. Ledger.. Writing.. Duplicating.. Stationery..
Coated Bond.. Envelope Wove & Cartridge Papers
For detailed sales conditions see Sheet Nos. 302-A,
304-A, 312-B, 314-B

Classification of Grades and Mark-Up Schedule

S.C. & E.F. Book.. Offset.. Opacity Catalogue..
Antique.. Featherweight.. Eggshell 11.. Tarif f
For detailed sales conditions see Sheet Nos.
402-A, 404-A, 412-B, 416-B

Canadian Lines

Mill price, inclusive of extra charges;
Less: Loyalty, if applicable;
Plus: 25¢ cwt. for handling, if no freight;
or
Plus: 50¢ cwt., if freight applicable;

Canadian Lines

Mill 1 ton base price including color and fancy
finish charges, if applicable;
Less: Trade discount applicable;
Plus: Extra charges applicable (sheeting, super-
calendaring, trimming, packing, etc.);
Less: Loyalty Discount, if applicable;
Plus: 25¢ cwt. for handling;

Mark-up
on above

Adjust to
higher

(1) 1000 lb.	23%	25¢ cwt.	(1) 1 Ton	Mill Price
(2) 250 lb.	35%	25¢ "	(2) 1000 lb.	- 25¢ cwt.
(3) Full Package	50%	50¢ "	(3) 500 lb.	35¢ "
(4) Less Package	\$5.00 cwt.	to (3)	(4) 1/2 M Sheets	50¢ "
			(5) Less 1/2 M Sheets	\$3.00 cwt.

Mark-up
on above
higher
(4)

Note: Sulphite Bonds in lighter than substance 32M
if to be priced per M sheets, to be based on
resale prices per lb. as above and then
adjusted to higher 10¢ per M sheets.

Quebec-Maritimes-Ontario
November 9th, 1948

(HOT 34-1-154)
Sheet No. 1000

x Unprotected Bundles: Figure price as if
packed in protected bundles in quantities
below 1 ton on all grades equivalent to
No. 3 Book and higher.

Quebec-Maritimes-Ontario
November 9th, 1948
(HOT 34-1-157)
Sheet No. 1012)

When this inquiry started the prices for ex-warehouse sales shown by the merchants of eastern Canada in their printer's price lists could be calculated where costs were known, as they were for domestic lines, by use of the information in the "Classification of Grades and Mark-Up Schedule" appropriate to the particular paper.

In practice, changes in merchants' selling prices in recent years have generally been related to price increases announced by the mills. When the mills have made a change in price the new price has been brought to the attention of Hodder & Moffitt's Toronto office and new price sheets for the Hodder & Moffitt Schedule have been prepared on the basis of the "Classification of Grades and Mark-Up Schedule".

The form and content of another type of Hodder & Moffitt Schedule sheet may be illustrated by reference to sheet No. 324 which was put out in October 1948. At this time the mills were selling Central Section merchants white No. 7 bond at a delivered price of \$12.75 per cwt. before deducting loyalty discount but after including charges for sheeting, trimming four sides and ream sealing in protected bundles. That part of sheet No. 324 which referred to this paper read as follows:

October 8, 1948		Sheet No. 324			
Bond, Ledger, Writing, Mimeograph, Stationery	Cost	1000 lb.	250 lb.	Full Pkg.	Less Pkg.
<u>L Del.</u>				<u>Per 100 lb.</u>	
No. 7 Bond	White \$12.75	15.25	16.75	19.00	24.00

(HOT 34-1)

Hodder & Moffitt Schedule sheets, setting out this information, were sent to the merchants and the selling prices indicated were published in the merchants' price lists with the simple insertion of the mill or private trade name applicable to the paper stocked by the merchant. It may be observed that the resale prices shown incorporate the rates of mark-up set out in sheet No. 1000 as given in Table XI.

In the Hodder & Moffitt Schedule, paper in ex-warehouse quantities is priced in various units. Thus, in the example given above, although the price is shown on a per hundred pounds basis, there is the package and less than package price. In the example, a package contained 500 sheets. A standard size of sheet for No. 7 bond is 17" x 22" and in one of the most common weights 500 sheets of this size would weigh 20 lbs. Since papers are sold in different standard sheet sizes as well as in different substance weights, the weight of a 500 sheet package is variable and the pricing system used makes provision for such variations.

A wooden case is used for packing certain coated papers and the

merchants' pricing system sets a price for this paper on a per cwt. basis for units of less than 500 sheets, 500 sheets, one case (approximately 500 lbs.) and four cases.

Another important matter dealt with in the pricing structure is that of assortments. It has been arranged in the various sections of the C.P.T.A. that a buyer may make up the quantities necessary to obtain certain discounts by combining or "assorting" different kinds or variations of paper. One such regulation, effective in the Ontario Sub-Section in 1948, referred to the 250 lb. price for bond, ledger and writing papers:

" . . . "

250 LB. Shall apply to sales of two hundred and fifty
PRICE pounds and over which may be assorted as to
grades, sizes, weights, colours and finishes;
no fraction lots to be included unless accom-
panied by a full package of the same item.

. . . "

(HOT 34-1-66)

When giving oral evidence, several witnesses stated that the work performed by Hodder & Moffitt in preparation of price schedules was purely clerical, but admitted that the results were used by them in the preparation of their printer's price lists. Evidence to this effect was given by K. M. Hunter, formerly secretary-treasurer of Buntin-Reid, a large merchant firm, and at the time of the hearings, its president:

"A. Hodder and Moffitt do the clerical work on it and we accept their figures, as I see it.

. . .

Q. It requires no action on your part to produce the resale price which you are then going to use in your own business?

A. We leave it to him to do that work. That is what it amounts to.

. . .

Q. Why are you prepared to accept the prices that Hodder and Moffitt send you?

A. Why are we? It has been done for years back by my predecessors, and I have just carried on what has been established."

(Evidence, pp. 147-9)

Evidence with respect to use by Barber-Ellis of Hodder & Moffitt price information was given by K. M. Murphy, assistant general manager of Barber-Ellis of Canada, its former sales director and one-time manager of its Winnipeg subsidiary:

- "Q. Then, we will move from the west to the east for awhile; What was the practice, so far as preparing price lists of the Toronto company, the Ontario company? Do they also get schedules from Hodder & Moffitt?
- A. Yes.
- Q. And do they follow those schedules in preparing price lists?
- A. Yes.
- Q. Are there any deviations at all from the items covered in the Hodder & Moffitt schedules?
- A. I don't think so. I think that Hodder and Moffitt schedule covers all the items we list.
- Q. So that so far as Toronto is concerned, it is just a question of copying the Hodder and Moffitt schedule?
- A. Yes.
- Q. And what about the other houses, the other merchants, members of the Ontario subsection; do they do the same thing?
- A. I don't know. I imagine they do, but I don't know. I know what we do. We get the Hodder and Moffitt sheet in our office, and we then prepare our own prices, using our own names and set-up. Then we issue our own prices, as quickly as possible. Some houses get them out faster, and some do not. Some do not issue this list, possibly -- but I imagine they do. But I do not know.
- Q. Do you know of any fine paper merchant in Ontario who does not follow the Hodder and Moffitt schedule?
- A. Not in producing a list."

(Evidence, pp. 396,7)

R. C. Denver, vice-president and sales manager of McFarlane Son & Hodgson, an important Montreal merchant, gave evidence concerning the use of prices issued by Hodder & Moffitt:

"Q. Had you prepared your price lists from the Hodder and Moffitt schedules?

A. That is right.

Q. You follow them exactly, so far as ---

A. Yes, exactly.

Q. And you follow your own price lists then, in actual practice?

A. Yes, that is right.

Q. You do not give special prices to anybody, not appearing on those price lists?

A. No, we did until a year or so ago; but the overhead became so heavy that we just had to discontinue those practices.

Q. When you say you were doing it until a year ago, what type of accounts did you give it to?

A. The arrangements had continued beyond my time. They would get an extra 5 per cent, or something like that, periodically.

Q. Those would be special accounts?

A. A few accounts; I don't know who started the arrangement."

(Evidence, pp. 2089-90)

It may be true that a certain part of the work of preparation of sheets for the Hodder & Moffitt Schedule which was done in that firm's office either by Mr. Moffitt or under his direction was of a clerical or routine type. The routine lay in working out the application of an agreed common policy. In the preparation of the sheets careful attention was paid to changes in mill price and to established or new practice as it had been decided at meetings of the merchants. The Hodder & Moffitt Schedule was an essential document for use by the merchants in fulfilling their understandings with each other to sell at common prices and under standard conditions of sale. Every C.P.T.A. member in eastern Canada was supplied with one or more copies of each schedule sheet as it was published and the Hodder & Moffitt Schedule as a whole was a standard book of reference to each and every one of them.

Merchants' pricing practices in eastern Canada as in effect in 1948 and later were the result of arrangements that in some cases were of long standing. However, particular subjects were, of course,

brought up for review or modification from time to time.

There have been differences in detail between the regulations effective in the Quebec Sub-Section and the Ontario Sub-Section. As these differences have been such as to affect prices charged, the territorial division between the two parts of the Central Section has been carefully defined. Sheet No. 164B of the Hodder & Moffitt Schedule, effective in 1948, said:

"DIVISION OF Central Section territory shall be divided
TERRITORY by a line running north from Kingston,
 passing through Sharbot Lake.

'Quebec' shall be understood to mean the territory lying east of this line, including Carleton Place and Pembroke.

'Ontario' shall be understood to mean the territory lying west of this line, including Kingston.

• • •"

(HOT 34-1-33)

The evidence obtained during the investigation shows that some of the rules and regulations in effect in the Central Section of the C.P.T.A., which were codified and embodied in the Hodder & Moffitt Schedule had been in effect for many years.

On April 17, 1933 Mr. Moffitt sent the chairman of the Montreal group "a copy of the draft of regulations" (JBR 40-31). The draft regulations were fourteen pages in length and were made up of 124 separately numbered sections. These sections included detailed regulations on such matters as warehouse quantities, direct mill shipments, quantity prices, returns, net cash prices, free delivery points and freight equalization points. In addition, specific prices for certain papers were listed. The draft regulations of 1933 bear many marks of similarity with the regulations in effect in 1948. For example, the draft regulation of 1933 covering "Division of Territory" was covered in exactly the same words as those quoted above.

The 1933 draft regulations were apparently adopted after amendment. On November 25, 1933 the Executive Board of the C.P.T.A. "approved preparation of loose leaf booklet listing Trade Regulations adopted by the Central Section" (JBR 40-2-3).

In a letter dated September 27, 1935, which he sent to Central and Maritime Section members, Mr. Moffitt said:

" . . . the last complete set of suggested resale price sheets was issued in 1930 . . .

• • •"

(JBR 35-39)

In November 1935 the mills announced a change in prices and this involved the Central Section members getting their paper on a delivered price basis rather than on an f.o.b. mill basis. On November 27 Mr. Moffitt wrote the Central Section members saying:

" . . .

No action will be taken to prepare and issue revised sheets from this office until the matter has been considered on Monday next. The mark-up schedule which has been in effect for some years for basing resale prices was constructed to deal with papers supplied to merchants on f.o.b. mill basis, and for the purpose of determining the laid down cost provision was made for an addition of 50¢ per cwt. before mark-ups are applied. On this basis the merchant enjoyed a margin on the up-charge for freight. To apply the present rates of mark-up directly to the new delivered prices will mean that the margin on freight previously enjoyed will be eliminated, unless some compensating provision can be made in the mark-up schedule.

A study of the situation will reveal that this is a matter of much concern to every merchant and that some decision must be made in this regard before the corrected suggested resale prices can be prepared for use of members."

(JBR 35-24)

A letter from Mr. Moffitt to Central Section members, dated December 2, 1935, said:

"In accordance with the decision reached at to-day's meeting, revised suggested resale prices will be issued to the members as follows:

Uncoated Book papers, bonds, ledgers, writings, mimeographs,-

To become effective Wednesday, 4th[#] instant,
and to be mailed from this office Tuesday
evening.

All other lines,- To become effective Monday 16th
instant, and to be mailed from this office
Saturday afternoon.

In basing resale prices of lines supplied to the Merchant
at delivered prices, a handling charge of 25¢ per cwt. to
be added into cost before figuring mark-ups.

. . ."

[#]On this circular letter, found in the files of J. B. Rolland,
"Wednesday, 4th" was overwritten with the words "Thursday 5th".

(JBR 35-20)

The 25¢ item mentioned in Mr. Moffitt's letter is to be found in the pages of the "Classification of Grades and Mark-Up Schedule" in effect in 1948 as quoted in Table XI.

Various other notices of changes in price or regulation were sent to Central Section members at about the same time. On December 23, 1935 Mr. Moffitt wrote the Central Section members:

"In connection with the loose-leaf sheets listing suggested resale prices and selling regulations, it has been thought advisable, in view of the number of changes which have had to be made in the interim, to list herewith the numbers and dates of the current sheets that should be retained in your file.

It will be appreciated if you will check through the sheets you now have, eliminating those that have been cancelled by later issues and writing this office for any sheets which may be missing.

• • •

Revised copy of the classification of grades and mark-up schedule, incorporating changes recently adopted, will be issued later."

(JBR 35-10)

No record was found of the first organized use by the merchants of a common "Classification of Grades and Mark-Up Schedule" during the investigation, but apparently such a schedule was being used in 1934 and before. In February 1934 the C.P.T.A. elected a committee "to direct a survey among a representative number of member-firms, for the purpose of developing data essential to a proper study of selling structures; to proceed to an examination of the resale base presently employed, and to recommend revisions as deemed expedient, in connection therewith". The following quotation is from a report prepared under date of November 7, 1934 for the signature of the committee's chairman:

" . . .

. . . The Committee are of the opinion that the present Merchant's classification of grades and mark-up should be revised . . .

Ex-warehouse Selling Structure

• • •

It is suggested that mark-ups apply as follows:

	<u>Ordinary</u>	<u>Covers</u>
1000 lb. lots	23%	30%
250 lb. lots	35%	45%
Full Package	50%	65%
Less Package	(as at present)	

The cost basis to which mark-ups are to be added are -
the Mill base price, less whatever discounts apply
(except quantity), plus freight at 50¢ per cwt. (This
freight allowance applying in Ontario and Quebec.)

..."

(HOM 5-1C)

The "Classification of Grades and Mark-Up Schedule" in effect
when wartime price ceilings were established in 1941 had apparently
reached its final published form by December 13, 1938. The basic rates
of mark-up for bond, ledger, writing, mimeograph, book, offset, tariff
and several other papers then in effect were 23 per cent, 35 per cent
and 50 per cent, as above indicated. However, whereas for bond, ledger,
writing and mimeograph papers the 35 per cent rate applied on sales of
between 250 and 1000 lbs. and the 23 per cent rate on sales of over
1000 lbs., for book, offset and tariff papers the 35 per cent rate was
effective on sales of between 500 and 2000 lbs. and the 23 per cent
rate on sales of over 2000 lbs. (HOT 36-1-138 to 140).

A Central Section meeting was called for October 20, 1941 and
the agenda, dated October 10, 1941, included the following:

" . . .

Classification of Grades and Mark-ups: Review of schedule.

..."

(CPW 23-14)

Minutes for the meeting say:

" . . .

LEGISLATION At the outset, reference was made to the price
and wage stabilization programme, as announced
by the Prime Minister in his radio address of
October 18th.

The consensus was that if decisions were taken,
no action, to implement the decision, could
follow on several items listed on the agenda
for consideration, until the Order-in-Council
is issued making known the regulations to be
imposed.

" . . .

AGENDA
ITEMS

For reasons already mentioned, the following
items listed on the agenda were left over for

later consideration.

Classification of Grades and Mark-ups:
Review of Schedule. . . .

. . . "

(BARK 32-8)

There was a Central Section meeting on March 25, 1943 at which the principal piece of business seems to have been the consideration of a plan under which the preliminary work arising with respect to pricing any class of fine paper would be the responsibility of a particular committee. In this respect the minutes of the March 25 meeting say:

" . . .

COMMODITY
COMMITTEES

The following recommendation for conducting the business of the Central Section and of the two Sub-Sections was submitted for consideration:

1. Separate commodity committees should be established for Ontario and for Quebec with the same committees from each Sub-Section forming the commodity committee, under joint chairmanship, for the Central Section.
2. The function of the commodity committees would be to study, discuss and make recommendations with respect to the different classes and types of paper coming under their jurisdiction, the local commodity committees reporting back to the Sub-Sections and the joint committee reporting back to the Central Section.
3. Membership of the committees should be kept as small as possible for more efficient functioning and membership could be made up either by appointment or by self-election.
4. The committees to be set up might be
 - (a) Bonds, Ledgers and Writing Papers;
 - (b) Stationery Papers, Typewriter Papers and Cut Stock;
 - (c) Uncoated Book Papers;
 - (d) Coated Book Papers;
 - (e) Bristols and Cover Papers;
 - (f) Blotting Papers, Gummed Papers and Sundries.

Motion was duly moved, seconded and carried unanimously:

That the recommendation as submitted be approved and adopted, to become effective forthwith; and that the Sub-Sections take necessary action to conform to and implement the conditions applicable therein.

The Quebec Sub-Section was requested to determine the number of Committees to be set up and the groupings of papers covered by each.

" (MCF 11-4A)

Six commodity committees were set up in the Quebec Sub-Section at its meeting of April 7, 1943 and similar commodity committees were established by the Ontario Sub-Section at its meeting of April 13, 1943. With changes being made from time to time in the number of committees set up to cover all the various classes of fine papers, the commodity committee method of operation was in force in the Central Section of the C.P.T.A. and its two sub-sections from April 1943 onward. A Central Section commodity committee covering a particular group of fine papers was sometimes referred to as a Joint Commodity Committee and apparently such joint committees were composed of the members of the appropriate commodity committees in the sub-sections.

On April 3, 1947, this being one day after all price controls, insofar as the business of wholesaling fine papers was concerned, were removed, Ivan Moffitt sent a letter to the members of the Central Section which included the following:

"A meeting of the Central Section is being called for Wednesday morning, April 16th, at 10:00 o'clock in Salon 'B' of the Windsor Hotel, Montreal.

2. Classification of Grades - confirmation of draft schedule.

" (JNP 15-3)

A total of twelve pages of draft schedules and related descriptive material was attached to this letter. The first of these pages was dated April 3, 1947 and included the following:

"Changes of mill conditions made from time to time have affected details in the basing of ex-warehouse resale

prices. While these have been taken into account, no revision of the mark-up schedule has been made to incorporate the changes during the past ten years or more; some details are uncertain or perhaps confused.

" . . . "

(JNP 15-3A)

Further reference to this meeting does not appear in the records of the Central Section available in the inquiry and it is not possible, therefore, to describe the manner in which any changes made in the arrangements were eventually worked out.

Apparently final decision as to the adoption of the suggestions made rested with each of the sub-sections of the Central Section. Each of the commodity committees above mentioned was set up to consider problems relating to a particular list of fine papers and to make recommendations to the main sub-section group. Available records show that at least five of the six Quebec Sub-Section commodity committees had meetings in late April 1947. The following quotation is from the minutes for the "Bonds, Ledgers and Writing Papers Commodity Committee" meeting of April 28:

" . . . "

CLASSIFICATION
OF GRADES

Recommendation is to be submitted to the next meeting of the Quebec Sub-Section that the draft circularized to the members under date of April 3rd as to the Classification of Grades, etc., insofar as it relates to Bonds, Ledgers and Writing Papers be adopted, with higher adjustments to prevail.

" . . . "

(FPC 12-11)

At least four of the other five commodity committees of the sub-section made similar recommendations. On May 1, 1947 the Quebec Sub-Section reviewed the committees' reports and the minutes say:

" . . . "

CLASSIFICATION
OF GRADES

Recommendations of each of the Commodity Committees that the draft circularized to the members under date of April 3rd as to Classification of Grades, etc., and the change in the units of Gummed Papers be adopted were approved to take effect immediately.

" . . . "

(LIT 7-44)

Presumably some similar action was taken in the Ontario Sub-Section, since the new mark-up schedule also became effective in that sub-section.

The "Classification of Grades and Mark-Up Schedule" sheets included in the Hodder & Moffitt Schedule as in use in late 1948 and early 1949 show that some changes in rates of mark-up had been made since 1938. Thus, while in 1938 the merchants' mark-up on certain book papers was, after cost had been calculated in the approved way, 35 per cent on sales of 500 to 2000 lbs., in 1948 the 35 per cent rate of mark-up only covered sales of between 500 and 1000 lbs. and the rate was 25 per cent on sales between 1000 and 2000 lbs. In 1948 as in 1938 the basic mark-up on uncoated bristol boards was 50 per cent, but in 1948 the maximum quantity discount of 20 per cent was given on a sale of 20,000 sheets, whereas in 1938 the 20 per cent discount did not apply on less than 25,000 sheets. While these two examples illustrate lower rates of mark-up, the rate on coated book, litho and cover papers increased from 25 per cent on sales of one case (approximately 500 lbs.) in 1938 to 35 per cent in 1948. In this context it may be pointed out that there had in the intervening years been a number of changes in the arrangements between the mills and the merchants with respect to margins on direct mill shipment sales made by the merchants and because of the revisions made under these arrangements, changes in the rates of mark-up used by the merchants on ex-warehouse sales sometimes followed. The various changes in the rates of mark-up and in the quantities of paper on which the rates apply illustrate that this matter, which was fundamental to the pricing system, was subject to periodic joint decision and revision and it was not merely a matter of individual firms adopting long-established rules. That the matter was subject to such periodic review is also indicated in a letter written by T. Havill, who had played a prominent part in C.P.T.A. affairs for years, to Mr. Moffitt on April 17, 1950 as follows:

"I have your letter regarding annual meeting and Mr. Murphy's views. I am inclined to agree with a postponement if there is nothing important to discuss, but I think the Merchants are fast getting to the point with increased costs where they will have to discuss markups. Rents in this district have doubled in the past year, wages are up sharply and all other operating costs, to where the net profit on sales in the paper business is ridiculous when compared to other trades.

I do not know how the tied houses view the matter but I am sure that the independents are quite concerned. The present sales volume may not keep up and if it drops much, quite a few will find themselves in hot water. My opinion is that we should study the matter now and if a new spread is decided on, it should go into effect with the next price change."

(HOT 50-2)

(i) Ontario Sub-Section of Central Section, C.P.T.A.

The members of this group, besides being parties to important arrangements within the Central Section of the C.P.T.A., have also, as members of the Ontario Sub-Section, made arrangements relating to the control of the fine paper trade within their own "Ontario Territory". Details of membership in the Ontario Sub-Section are set out in Table IX. Since 1927 Ivan Moffitt has been the sub-section's secretary, although on occasion the annual appointment of a secretary was made in the name of Hodder & Moffitt.

By 1934 the Ontario merchants were making use of pricing material available to them from Mr. Moffitt's office. In that year the Ontario group formed what became known as the Ontario Fine Paper Council. The only difference between the Ontario Fine Paper Council and the Ontario Sub-Section, insofar as membership was concerned, was that Wilson-Munroe, which was not then a C.P.T.A. member, was associated with the Ontario Fine Paper Council from its inception. In evidence, Mr. Moffitt said of the Ontario Fine Paper Council, "It was simply the name applied to the Ontario subsection for a limited period of time" (Evidence, pp. 63,4).

There is no record in the evidence available of the discussions that presumably took place before the formation of the Ontario Fine Paper Council. Only one copy of the "arrangement" was found and that had apparently been sent on January 10, 1935 to C. H. McFarlane of McFarlane Son & Hodgson by Mr. Moffitt. In his covering letter Mr. Moffitt said:

"Enclosed is a copy of the arrangement undertaken by the merchants who are members of the Ontario Fine Paper Council and comprise all houses in Ontario, with the exception of the E. B. Eddy Company, Limited, distributing paper.

The purpose of the deposits is to give a greater measure of assurance that the arrangement will be permanent for a fixed period at least. Prior to the end of November the attitude was somewhat general that all houses hesitated to withdraw special conditions being granted, for the reason that they felt such uniform conditions might be broken down at any time by some other house with the same customer. As you will note, there is no provision for anything in the nature of a fine or a penalty in this arrangement."

(MCF 16-1A)

The full text of the Ontario Fine Paper Council (O.F.P.C.) arrangement of November 29, 1934 was as follows:

"No. 1 ORGANIZATION	That Fine Paper Merchants located in the Province of Ontario form and become members of an organization to be known as 'Ontario Fine Paper Council'.
No. 2 PERIOD OF ARRANGEMENT	That an arrangement be entered into for a period of two years from December 1st, 1934, as hereinafter provided.
No. 3 LINES COVERED	That this arrangement shall cover sales made to purchasers and for delivery within the Province of Ontario, of printing papers and kindred lines, but excluding envelopes, wrapping papers, book binders' supplies and stationery lines.
No. 4 REGULATIONS SCHEDULES	That the regulations of the Central Section of the Canadian Paper Trade Association respecting sales and the price schedule thereto are hereby incorporated as part and parcel of the arrangements herein set forth.
No. 5 ADHERENCE TO REGULATIONS	That, notwithstanding any arrangement to the contrary or any deviations from this principle that may have taken place, each member agrees to not directly or indirectly make any proposal or bargain, nor do any act that would influence any sale or sales contrary to the accepted regulations, trade customs and schedules.
No. 6 SPECIAL OR EXTRAORDINARY CONDITIONS	That the Secretary, with the consent of the Advisory Committee, may grant permission to any member to deviate from the provisions herein contained for the purpose of meeting special or extraordinary conditions.
No. 7 EX-WAREHOUSE SALES	That with respect to ex-warehouse sales each member agrees, on and after December 1st, 1934, to enforce and maintain strictly all regulations, trade customs and schedules applying thereto already mutually agreed upon or that may later be adopted by mutual agreement, due provision being made for unfilled orders or contracts.
No. 8 UNFILLED ORDERS OR CONTRACTS	That all bona fide orders or contracts requiring delivery to be made after November 30th, 1934, which in any particular do not conform to the accepted regulations, trade customs or schedules, shall be recorded with the Secretary, stating items, prices, and the

date on which commitment was made. Any such order or contract undertaken since October 1st, 1934, shall be considered to constitute a breach of ethics.

No. 9
MILL SHIPMENT
SALES

That with respect to direct mill shipment sales each member agrees, on and after December 1st, 1934, to enforce strictly all regulations, trade customs and schedules as now in force or as amended from time to time by the Canadian Mills, due provision being made for unfilled orders or contracts.

No. 10
SPECIAL
CONDITIONS ON
MILL SHIP-
MENT SALES

That all orders or contracts, now or in the future, for the supply of which the Canadian manufacturer grants special conditions to meet foreign competition and retain the business for the domestic producer, but on which the merchant receives the regular rate of mark-up or commission, shall be recorded in confidence with the Secretary.

No. 11
DEVIATIONS
OF MILL SHIP-
MENT SALES

That deviation from the regulations, trade customs and schedules applying to mill shipment sales, other than as hereinbefore provided, shall not be made without the consent of the members first having been given, and particulars of such deviation shall be recorded by the Secretary and made available to the entire membership.

No. 12
RESPONSIBILITY

That, in respect of this arrangement, each member accepts full responsibility for the acts of his employees, agents and representatives.

No. 13
JOB LOTS

That prior to November 30th, 1934, each member shall file with the Secretary complete lists of job and odd lots then on hand, stating the selling prices, copies of which shall be issued to the membership. On and after December 1st, 1934, each member shall file with the Secretary details of all additional job or odd lots before such are offered on the market, copies of which shall be issued to the membership.

No. 14
ADVISORY
COMMITTEE

That a Committee of three members shall be elected to act in advisory capacity to the Secretary on conditions arising from the operation of this arrangement, and, if deemed expedient, to confer with a member or members said to be involved in such conditions.

No. 15
SECRETARY

That Ivan Moffitt be appointed Secretary at a fee of \$3,000.00, such fee to be payable on an annual basis or for the period of the arrangement should such arrangement be terminated before November 30th, 1935. He shall provide satisfactory facilities for the purpose of conducting a systematic audit of the sales records of the members in those lines covered by this arrangement. He shall have complete control of the audit system. He shall be authorized to report direct to meetings of this Council particulars of infractions disclosed by the audit. He shall be given authority to interview any member at any time respecting irregular practices in which such member may be said to be involved.

No. 16
AUDIT

That the auditor, whose services are retained by the Secretary, shall receive instructions from and report results of his investigations to the Secretary. He shall make a systematic examination of the sales records of each member in the lines covered by the arrangement, for which purpose he shall be granted access to sales invoices, orders (house record and customer's) and delivery slips. In addition, upon submitting the names of accounts to be examined to a responsible representative of the member-firm for consent, he shall be granted access to whatever other books of record and documentary evidence he may consider necessary to a proper investigation. He shall be authorized to make inquiry with respect to apparent errors or irregularities in completing an investigation.

No. 17
CONSENT OF
MEMBERS

That each member agrees he will not unduly withhold consent to requests made by the auditor to proceed with examination of accounts. To facilitate the audit each member shall advise the Secretary, in writing, the names of two representatives of his firm who are empowered to give such consent.

No. 18
INFORMATION
TREATED IN
CONFIDENCE

That in conducting the audit, the Secretary and his representatives shall respect the confidence of the members, and that no information which may come to their notice with respect to the business carried on by any of the members will be divulged to any other person whatsoever, except as hereinbefore mentioned.

No. 19
DEPOSITS

That each member shall deposit on or before November 30th, 1934, an amount equal to one-quarter of one per cent. of the Company's annual sales, the basis for which shall be double the amount of sales made during the first six months of 1934; and shall deposit monthly thereafter an amount equal to one-half of one per cent. of the previous month's sales, payable on or before the tenth day of the next succeeding month, until the amount on deposit to the credit of the company shall equal one-half of one per cent. of the annual sales of such company or five hundred dollars, whichever may be the greater, and shall be maintained at that level.

No. 20
MONEYS HELD
IN TRUST

That all moneys paid in shall be held in trust by the Secretary for the company making such payment and shall be returnable to them at the expiration of the arrangement, subject, however, to any assessment of operating expenses that may have been issued and remain unpaid.

No. 21
BONDING OF
SECRETARY

That the Secretary do furnish a fidelity bond in an amount at least equal to the amount of the moneys herein referred to on deposit with him, which bond shall be in favour of the Chairman of the Advisory Committee, referred to in paragraph 14.

No. 22
DEDUCTION OF
UNPAID
ASSESSMENTS

That in the event assessments for operating expenses are not paid within a period of sixty days, the Secretary shall have the right to deduct the amount from the Company's deposit.

No. 23
WITHDRAWALS

That should a member withdraw from the Council before the expiration of the period provided for in this arrangement, and continue to carry on in his usual business, any funds deposited by him and held in trust by the Council shall be forfeited by him and held for such disposition as the Council deem desirable, except as stated hereunder:

That this arrangement shall be subject to review on the first Tuesday in June, 1935, at which time any member may withdraw without notice and shall receive his deposit in full, less his proportion of the Secretary's fee as provided for in paragraph 15. Should no motion of withdrawal be made by any member on June 1st, 1935, the

arrangement shall be continued until the expiration date provided in paragraph 2, and no member shall have the right to withdraw therefrom except as hereinbefore provided.

No. 24
ASSESSMENTS That a monthly assessment shall be made on the members to cover the Secretary's fee in the same proportion as the deposit made by each member bears to the total."

(MCF 16-2A)

This arrangement is obviously one by which the merchants who were parties to it hoped to bring about a more effective observance of their prior agreements. Sections 4 and 7 clearly refer to such agreements.

At some time prior to December 15, 1942, possibly when Wilson-Munroe rejoined the C.P.T.A. in 1936, the name "Ontario Fine Paper Council" went out of use. At an Ontario Sub-Section meeting held that day, the "Arrangement" was discussed and the minutes say:

" . . .

Consideration was given to the Ontario Sub-Section Arrangement, which has been in operation by annual renewals for a period of eight years. It was contended that while the arrangement had maintained a most desirable measure of stabilization in the market, indications of agreed upon conditions being not fully observed had become evident which would prove damaging if continued. It was agreed that each one would examine carefully his own operations and would immediately correct any irregular practices, no matter how slight, that might be disclosed.

On regular motion, carried unanimously, the operating agreement of the Ontario Sub-Section was renewed for a period of twelve months from January 1, 1943.

(Secretary's Note: The concurrence of Buntin Gillies & Co. Ltd. had been received.)

" . . ."

(FNE 13-6)

The 1934 arrangement was apparently renewed annually until it was superseded on January 23, 1947. The new agreement, adoption of which was then carried unanimously, read as follows:

"OPERATING AGREEMENT
OF
ONTARIO SUB-SECTION

RESOLVED:

That the Operating Agreement of the Ontario Sub-Section is hereby adopted as follows for a period of one year from January 1st, 1947, and thereafter subject to review and renewal from time to time for such periods that may be fixed by a majority decision of the members. Any agreement or arrangement formerly in force is hereby superseded and revoked.

A Chairman of the Sub-Section shall be elected who shall preside at all meetings of the Sub-Section and exercise a general supervision over the affairs of the Sub-Section. He shall perform such other customary duties as are incident to the office of Chairman.

Five Commodity Committees on the following groupings of papers shall be formed, and a Chairman elected to each:

- (a) Bonds, Ledgers and Writings (including Cut Stock);
- (b) Uncoated Book Papers (including Newsprint);
- (c) Coated Papers;
- (d) Cardboards, Cover Papers, Blotting Papers;
- (e) Tag Boards and Miscellaneous Boards, Gummed Papers, Converted and Sundry Items.

An Advisory Committee of three members shall be elected to act in advisory capacity to the Secretary on conditions arising from the operation of this Agreement.

The Chairman of the Sub-Section and the Chairmen of the Commodity Committees and the Advisory Committee shall be elected by majority vote of the members at the time of the adoption of this Agreement and renewals thereof.

A Secretary shall be appointed and remuneration for such services shall be fixed at the time of the adoption of this Agreement and renewals thereof. The duties of the Secretary shall be determined from time to time by a majority vote of the members.

A member may withdraw from the Agreement upon giving sixty days prior notice in writing to the Secretary."

(WIL 3-126)

Although the various officers called for under this agreement were elected at meetings held on January 22, 1948 and January 13, 1949, the minutes of

those meetings do not make any reference to the renewal of the "operating agreement". The deposits called for by Section 19 of the 1934 arrangement were made and were held by the secretary throughout its life. Apparently no charge or assessment was ever made against them and they were returned in early 1947, after the adoption of the new "operating agreement" (FHP 2-1A). In spite of the change in form between the "operating agreement" and the Ontario Fine Paper Council "arrangement" previously in effect, it appears that the Ontario group continued to operate in substantially the same manner under the new, as under the old, constitution.

The merchant members of the Ontario Sub-Section have used the Hodder & Moffitt Schedule as a basis for the preparation of their price lists. Many of the rules, regulations and pricing practices incorporated in it in the post-war years had their inception years ago, some of them going back in origin to at least 1933, as is illustrated earlier in this chapter. One result of this is that in the more recent years for which records are available, the group's discussions on such matters have tended to relate to questions of detail and refinement. The outcome of these discussions has ordinarily been that some rule or regulation has been drawn up to establish a standard practice with respect to the particular problem that has arisen. Examples of such matters, as indicated by documents in evidence, are given hereafter.

An Ontario Sub-Section meeting held on January 7, 1941 concerned itself with offset paper and the minutes say:

" . . . "

It was agreed that revisions necessitated by the change in rate of upcharge for fancy finishing, as announced by the mills, should be issued and made effective immediately.

" . . . "

(FNE 15-191)

On January 9 Mr. Moffitt followed this up with a letter to Ontario Sub-Section members in which he said:

"Replacement sheets for the schedule are enclosed herewith which contain revised prices on Fancy Finish Offset Papers in ex-warehouse quantities and direct mill shipment quantities.

" . . . "

It is recommended that these revised prices be made effective immediately.

Resale sheets are also enclosed covering Rolland Duplicating, a new line recently announced by the mill."

(FHP 10-1)

The area around Toronto within which delivery without extra charge could be made was dealt with at the February 11 meeting:

" . . .
SURBURBAN
DELIVERIES

The Toronto area within which deliveries may be made free was defined as bounded by Long Branch, Weston, Lansing and Scarboro Junction; these points coming within the zone.

" . . ."

(FNE 15-190)

A point not previously covered by regulation was taken up by Mr. Moffitt with Fine Papers Limited on February 10, 1941 (FNE 15-175) and agreement within the whole group was reached at the March 25 meeting:

" . . .

It was agreed that in publishing any selling price on an Imported Line not carried in stock by the Merchant, the minimum quantity to which the price applies shall be stated, with the further notation that prices on smaller quantities will be given on application.

" . . ."

(FNE 15-158)

Minutes for the sub-section's meeting on March 4, 1941 include the following:

" . . .

COATED
BOARDS

A revised schedule is to be issued on Coated Boards, in line with the current Mill list. A ruling was adopted covering the application of the 4 bundle price.

" . . ."

(FNE 15-152)

An excerpt from the minutes of a meeting held on March 31, 1941 shows that there had been consultation between the Quebec and Ontario groups and that in this instance they did not entirely agree:

"COATED
BOARDS

Consideration was given to three proposals for changes from the current schedule that were sponsored and approved by the Merchants in Montreal.

It was agreed to adopt net selling terms on Coated Boards, effective April 15th.

Concurrence was expressed to revision of the price schedule for Montreal territory, under which resales for full package and less package quantities would be adjusted to the even 10¢ per 100 sheets.

It was decided to continue to allow assortment of grades on Coated Boards to qualify for the 4 bundle and larger quantity prices, although Montreal proposal was for the price to apply to the quantity of one grade only, which might be assorted as to weights. The information obtainable was that the Mills in direct selling would permit assortment of grades."

(FNE 15-148)

A minute from those for the June 23, 1941 meeting shows how the matters brought up in the Ontario Sub-Section might be referred to the Central Section before any other action was taken:

" . . .

OFFSET
PAPER

It was decided to refer on to the next Central Section meeting as a suggestion the proposal to establish a price for 4 assorted case lots of Offset only at a mark-up between the present 1,000 lb. and 1 ton rates.

. . . "

(FNE 15-90)

"Book Papers Ex Warehouse" were apparently discussed at the meeting of October 7, 1941, for the minutes say:

" . . .

On plain and coated grades of book papers, the published one ton or four case warehouse list price shall be the minimum for sales of one ton and up of these grades delivered from warehouse stock.

Specifically, on coated papers, the four assorted case lot unit price as published in the merchant's warehouse price list, shall be the minimum applying to sales of one ton and over delivered from warehouse stock.

On uncoated book papers, the one ton unit price as published in the merchant's price list shall be the minimum applying to sales of one ton and over delivered from warehouse stock; and further, on any grade listed as packed in crates, the inclusive price shall apply to sales of such grade in unprotected

bundles delivered from warehouse stock.

" . . . "

(FNE 15-41)

In June 1944 a committee was appointed to draw up a freight equalization table showing rates "to be used in equalizing delivery charges on Toronto, Hamilton and London on shipments to points in these zones" (FNE 9-22). The committee's report was considered at a meeting held on September 12, 1944, which instructed the secretary to prepare a simplified version of its memorandum. Minutes for the meeting of October 17, 1944, say:

" . . . "

The revised list of freight equalization rates as submitted following the previous meeting was adopted, to become effective upon notification by the Secretary. The rate listed for Kitchener is to be checked in the meantime.

Messrs. Kerr (Fine Papers, London) and Naismith Buntin Gillies, Hamilton) undertook to investigate the preparation of similar lists of equalization rates applying on shipments made from London and Hamilton.

" . . . "

(FNE 9-17)

Freight equalization had been a subject of regulation since 1933 and the figures for use by Toronto merchants were set out in sheet Number 166B of the Hodder & Moffitt Schedule when this inquiry started.

A meeting was called for February 20, 1945 and item 2 on the agenda was: "Revised issue of resale schedule" (BGC 14-54). Minutes for this meeting included the following:

" . . . "

A draft for a revised schedule of regulations, as on record to the end of 1944, was reviewed. A few items no longer effective were deleted, and some other details were corrected.

A complete replacement schedule will be issued incorporating all these regulations, bringing it in conformity with all decisions to this date.

" . . . "

(FNE 8-65)

Certain schedule sheets incorporating rules and regulations that had been in effect for some time were published under date of February 20, 1945. Apparently there had been a significant omission in these sheets as a notice sent out on April 5 for a meeting to be held on April 10 included

as item 4 on the agenda:

"4. Resale Regulations: Following two overlooked when draft of replacement schedule approved:

- (a) RESALE PRICES: On all standard lines the published warehouse resale prices shall apply regardless of any special price that may be granted by the mill to the merchant, except when permission because of special circumstances may be granted by the Advisory Committee to deviate from the regular list. (5/1/39).
- (b) MILL SHIPMENTS: In connection with supplying of accommodation lots from warehouse to customers having on order mill shipment quantities which are not delivered within a reasonable limit of time, it was agreed that such lots should be priced not lower than the 1000 lb. or ton lot warehouse price list price. (4/5/37)."

(BGC 14-37)

Minutes for the meeting of April 10, 1945 say:

" . . .

A notation with respect to application of resale prices, omitted in publication of the revised schedule, is to be added.

" . . ."

(WPL 3-11)

Wartime price controls on fine papers continued in full effect until early 1947 when certain papers were decontrolled in January and the balance in April. Records of the Ontario Sub-Section show that during this period the members continued to come to agreement on matters of detail. An example of this concerns the "cutting" schedule. An entry in the minutes for a sub-section meeting held on October 17, 1946 says:

" . . .

Recommendation for revision of the Cutting Schedule, as submitted at the previous meeting, was approved, to become effective upon notification.

" . . ."

(UPM 21-9A)

Sheet No. 154-B of the Hodder & Moffitt Schedule as in effect in late 1948

and early 1949 was dated January 14, 1947 and covered the "cutting charge schedule" for Ontario Territory. It replaced a sheet of similar number that had been dated February 20, 1945, this latter being the date of the general revision of the schedule. The sheet dated January 14, 1947 showed considerable change in descriptive detail from its predecessor and the charges shown involved increases of up to 100 per cent (HOT 36-1-30; HGT 34-1-31).

Price increases were made by the mills in mid-January 1947 under authorization of the Wartime Prices and Trade Board with respect to certain papers remaining subject to price ceilings and with respect to certain lines removed from price control. On January 15 an employee of Buntin Gillies in Hamilton wrote to another employee of the company:

"Enclosed are new price book sheets showing the new advanced prices in effect today. There are still more of these and as soon as we receive the new prices from the association we will send you further new sheets."

(BGC 2)

Price changes had been anticipated in the trade before this as is indicated by a letter written from Fine Papers (Toronto) to Fine Papers (London) on January 10:

"There will be new prices in effect some time next week.

Moffitt is working on the resale prices now. . . .

. . ."

(FME 17-5)

A letter written by K. M. Hunter of Buntin Reid to Ivan Moffitt on May 5, 1947 illustrates observance by an important merchant of a regulation he disapproved:

"Further to our letter of May 1st regarding the Onionskin, we have discussed the matter in our office and have reached the following decision.

Realizing the position it would put you in for us to publish prices on Broken Lots we are reprinting our price sheet eliminating this column and will not supply Broken Lots either alone or if accompanied by orders for Full Packages.

However, we wish to have this matter re-opened at the first Central Section Meeting as we are definitely opposed to having one item in the entire Price List on a different setup than anything else and we will not issue a Price List again without providing for Broken Quantities of White Onionskin the same as the Colours."

(HRP 3-21)

Minutes of the sub-section's meeting of October 23, 1947 include the following reference to "Onionskin":

" . . .

Opinion favoured the principle of broken lot quantities of White Sulphite Onionskin being made available as in other fine paper lines. This change to be implemented at a future opportune time.

. . . "

(CPT 13-2)

Merchants' price lists in effect in late 1948 show less than package prices for onionskin.

On February 16, 1948, Provincial announced to its customers that it would "increase its prices for its products in varying amounts on March 1st" (HS 22-1). Although the other mills increased their prices at about this time, none other than Provincial announced the increase before March 1. On February 26 there was an Ontario Sub-Section meeting and D. W. Stoneham of Brown Bros. prepared a memorandum concerning certain of the discussions. After commenting that those present thought that the other mills would increase their prices, he said:

"The problems facing Paper Jobbers as a result of the Provincial Paper Co. announcement were mainly the pricing of ex-warehouse and ex-mill shipments, and the advice to customers of price increases. After a full discussion it was agreed by the member houses to continue to sell all ex-warehouse stocks at present prices up to the 15th March, or until such date as new prices can be announced and put into effect on the lines of all supplying mills. If all mills have not announced a general price increase by the 15th March, it was agreed that an emergency meeting should be called at that time to further discuss the situation.

Mill shipments on Provincial lines will, of course, be booked as from the 1st March at their new prices, and mill shipments on all other lines will continue to be booked at 'Price in effect at time of shipment'.

In effect the decision regarding the sale and price of ex-warehouse stock means that we shall dispose of stocks purchased at present cost at present selling prices, and if new stock is received at new prices it will obviously be held in stock for disposal after new selling prices have been announced."

(TAN 6)

In a letter dated March 2, 1948 to T. J. Macabe, then the

president of Buntin Reid, K. M. Hunter said:

" . . .

. . . It was decided at the meeting last week that we should not change our Warehouse Prices until such time as all the Mills have made their announcements and in the event that we did not have these all in by March 15th the matter would be reviewed then.

. . . "

(BRP 4)

On March 11, 1948 K. W. Murphy of Barber-Ellis wrote to A. E. Nelson (Barber-Ellis, Winnipeg) saying: ". . . at a meeting in Toronto today it was decided to make our new out-of-stock prices effective Thursday, March 18th . . ." (BET 72-2).

In May and June 1948 the mills made another increase in prices with Rolland leading on May 20. On May 31 A. L. Naismith of Buntin Gillies wrote to his firm's Ottawa representative:

"You have no doubt by this time received new price book sheets from Hodder & Moffitt on Bonds, Books, Ledgers, Writings, Covers, Bristols and Blotting Papers, in fact the main items on the list. Please note that these are not effective until June 1st.

" . . . "

(BGC 19-1)

In this instance Hodder & Moffitt got some schedule sheets out with increased prices shown before the mill actually raised its prices. Thus, sheet Number 453, dated May 27, 1948, gave increased prices for direct mill shipment quantities on Provincial's "Thriftcoat" coated paper. Sheet Number 423 of the same date gave effect to increased prices on the same line insofar as ex-warehouse sales were concerned. Provincial didn't raise its price until June 15. At this time Howard Smith made a paper which sold at the same price as Provincial's Thriftcoat and the price of this brand of paper, sold under the trade name "Ensign", was increased with effective date of May 26. It seems that Hodder & Moffitt made an assumption that as Howard Smith and Rolland had increased their selling prices, Provincial would too and in the same amounts.

In 1948, as in other times, decisions were reached on various matters affecting the trade. Thus on June 17 the sub-section considered coated papers and, as the minutes say:

" . . .

Reviewed extension of sizes and weights as recently announced by the manufacturers, and decided in the meantime to keep

within the following range of items in the various grades:

• • •"

(ERP 1-13)

Sizes and weights for nine different types of coated paper were given.

On December 20, 1948 Ivan Moffitt sent the members of the Ontario Sub-Section suggested resale prices for some odd sizes of coated seconds that were being offered by Alliance Paper Mills at \$6.00 per cwt. (HOT 20-1).

Delivery service to all classes of accounts insofar as Toronto, Hamilton and London were concerned was the subject of detailed regulations which were carried on page 174B of the Hodder & Moffitt Schedule and which were originally related to wartime restrictions. On January 13, 1949 at a sub-section meeting it was decided "the regulation of delivery service as now in effect at Toronto, London and Hamilton is to continue without change, subject to review upon request" (FHP 12-1). The minutes of the meeting do not record, as does a memorandum from the president of United Paper Mills to its London office, that at this meeting "a charge was laid against London Branch of United Paper Mills Limited that they are not adhering to regulations as set forth on sheet 174-B regarding London Territory" (UPM 12-1). After receiving a report from the London office, W. G. Finlay, president of United Paper Mills, wrote back to the London office saying:

" • • •

We personally tried to have the whole regulation canned in Toronto, Hamilton and London, but were unsuccessful in our arguments and unfortunately the regulation will have to stand for another few months until someone else brings it up again, but on the other hand you in London may be able to work something out amongst yourselves to give a little more flexibility to the delivery question.

• • •"

(UPM 12-2)

Since before February 1941 the members of the Ontario Sub-Section, with the exception of Barber-Ellis, have also been members of what has been called "The Ontario Fine Paper Credit Group". The activities of this group were concerned with the development of common credit policies and practices and involved the pooling of credit information. On July 18, 1945 a "Memorandum Covering Agreement on Control of Credit To Individuals or Companies Seeking to Become Established in the Printing or Allied Trades" was issued. It included the following:

- " . . .
2. Credit shall not be extended beyond a period of thirty days following the end of the month in which purchases are made.
 3. On or before the fifteenth day of each month the Secretary shall be advised the names and amounts owing by all customers under this agreement whose accounts are unpaid at the end of the thirty-day period; e.g., January accounts unpaid at March 1st would be reported.
 4. The members agree, whether directly interested or not, to withdraw from such overdue accounts further credit accommodation until indebtedness with all members has been brought within the specified time limit.
- . . .
8. This agreement, for the present, applies only to individuals or companies seeking to become established in the printing or allied trades. It does not apply to presently established accounts.

" . . ."

(WIL 3-35)

A credit group meeting was held on November 25, 1947 and the minutes include the following:

" . . .

Members were reminded of the agreement in connection with the control of credit to individuals or companies seeking to become established in the printing or allied trades. Copy of this agreement is attached.

" . . ."

(WIL 3-34)

Adherence to the regulations, established within this group, which apparently involved observance of restrictions based on ratings given to particular accounts, is indicated by a letter written on June 15, 1948 by W. G. Finlay, president of United Paper Mills to his company's London branch:

" . . .

We have had quite a lengthy discussion on this account and feel that in view of the fact that you mention his claim,

that he is getting credit from two paper houses, this claim should be further investigated before we go any farther.

We naturally do not want to lose any business no matter who it is from and as you state in your letter they always purchased considerable quantity of stock from us and we do not want to lose this. On the other hand you must realize that we are bound to abide by the regulations of the credit group association and at their last meeting this account was still on the C.O.D. list and everyone claimed at that time they were selling them under no other arrangements.

You must also understand that one paper house would probably be Barber-Ellis & Company because they are not a member of the credit group association and did at one time sell [the account] a good deal of their paper. If, in any way, you could possibly find out who the other house is it would serve as a wedge to take up at the next credit group meeting and find out just what is going on. In the meantime it is felt that we will just have to let this ride until we hear further from you in connection with who the second paper house is."

(UPM 8-2)

The memorandum of July 18, 1945, referred to above, was re-issued by Mr. Moffitt's office under date of January 26, 1949.

The principal arrangements to secure uniformity of prices and conditions of sale within the Ontario Sub-Section have now been described with the exception of an arrangement for the inspection of books of account of member firms which has generally been referred to as the "audit" system. Before dealing with the latter arrangement, the corresponding general developments in the other territorial groups will be described.

(ii) Quebec Sub-Section of Central Section, C.P.T.A.

This group, the membership of which is shown in Table IX, has apparently had a parallel purpose and existence to those of the Ontario Sub-Section. For a time the group operated as the Quebec Fine Paper Council and during this period it included T. B. Little in its membership, although this merchant between some time in 1937 and January 1943, was not a member of the parent C.P.T.A. With this exception, the group of merchants meeting in Montreal since 1934, under whatever name, has comprised the members of the Quebec Sub-Section of the C.P.T.A. In oral evidence J. B. Brown, vice-president of T. B. Little, said that when his firm left the C.P.T.A. the reciprocal stock-sharing arrangements between it and the members of the C.P.T.A. "were not in any way interfered with" (Evidence, p. 1798).

Members of the Quebec Sub-Section have at all times been members of the Central Section of the C.P.T.A. and have made use of the Hodder & Moffitt Schedule for the Central Section in the same way as have the Ontario merchants. They have also played an important part in the drawing up of the rules and regulations and mark-up schedules which are basic to that Schedule.

The minutes of a meeting on April 5, 1933 of the group which was then called the Montreal Section state:

" . . . All members were present and every member agreed individually that his firm would abide faithfully in letter and in spirit, by the regulations which may be in force governing the sale of flat paper. . . ."

(JBR 34-10)

The following is quoted from the minutes of a meeting held on May 8, 1933:

"Mr. Reynolds (McFarlane Son & Hodgson) reported that he had been able to get a satisfactory arrangement regarding Quebec City, and that Messrs. W. V. Dawson and the Quebec merchants had both agreed to maintain prices and regulations with regard to the cover paper over which the trouble arose. He also reported having received a letter from Mr. L. P. Turgeon in Quebec, stating that Messrs. Turgeon, Rolland and Eddy had got together and agreed to maintain strictly the prices and regulations governing the sale of fine paper, and stating that in order to carry on it would be absolutely necessary that outside merchants would observe the prices and regulations when selling in Quebec City."

" . . . "

(JBR 34-8)

The earliest available record of steps being taken to organize the Quebec group's activities in a formal way as had been done in the Ontario Sub-Section in late 1934 consists of a document dated January 14, 1937 which is headed:

"MEMORANDUM OF AGREEMENT OF THE MONTREAL SUB-SECTION
OF THE CANADIAN PAPER TRADE ASSOCIATION"

This document included the following:

" . . . "

6. SECRETARY'S DUTIES:

. . . He shall advise simultaneously by post all members of the Sub-Section of any change in the

Sub-Section prices, terms and regulations.

• • •
10. PENALTIES:

An assessment shall be made on any member guilty
of selling merchandise at prices below those set
out in the schedules governing re-sale prices . . .

• • •"

(JBR 31-3)

During the balance of 1937 the merchants and Mr. Moffitt conducted negotiations which were concerned with the amendment and adoption of this draft agreement.

It is clear that the main intention throughout these negotiations was that an inspection plan should be organized under which each merchant could be assured that every other merchant was charging the prices and complying with the rules and regulations that were or should become included in their group arrangements as manifested primarily in the Hodder & Moffitt Schedule.

The outcome of these negotiations was the establishment of the Quebec Fine Paper Council which met on January 17, 1938. The following firms were represented:

Barber-Ellis of Montreal, Limited
Canada Paper "Wholesale", Limited
W. V. Dawson, Limited
Federal Paper Company, Limited
T. Havill Paper Company
Kruger Paper Company, Limited
T. B. Little Company, Limited
McFarlane Son & Hodgson (Limited)
J. B. Rolland & Fils
Rolland Paper Company, Limited

The minutes of the meeting state:

"By unanimous vote the arrangement, together with the regulations in connection therewith, were confirmed, adopted and accepted to be put into effect on February 1st, 1938, for a period of six months.

• • •"

(MCF 17-1)

The Quebec Fine Paper Council agreement, dated January 17, 1938, had thirteen sections, including the following:

- " . . .
3. This agreement shall apply to sales of those lines covered by the suggested resale schedules made to purchasers located in the Province of Quebec and in the Province of Ontario east of a line running north from Kingston and passing through Sharbot Lake.

• • •

 5. An Advisory Committee consisting of three representatives shall be elected for the purpose of consultation on matters arising from the operation of this agreement, which Committee shall be empowered to grant permission to any member to deviate from the provisions of this agreement for the purpose of meeting special or extraordinary conditions.

• • •

 7. Prior to February 1st, 1938, each member shall file with the Secretary complete lists of seconds, clearance, job and odd lots then on hand, stating the selling prices, copies of which shall be issued to all members. On and after February 1st, 1938, each member shall file with the Secretary details of all additional seconds, clearance, job or odd lots before such are offered on the market, copies of which shall be issued to all members.
 8. The members and each of them covenant and agree with the other members as follows:
 - (a) That they, the covenanters, shall be responsible for the acts, defaults of and breaches of the provisions of this agreement by their respective servants and employees.
 - (b) That they, their servants and employees will not quote, accept or book orders for, offer or agree to sell, or sell the goods covered by this agreement at lower prices or on better terms and conditions than those fixed by the schedules annexed to this agreement or fixed by any schedules which may be adopted by resolution of the Council in substitution for all or any of the said schedules hereunto annexed.
 - (c) That they, their servants or employees shall not, either directly or indirectly, resort or have recourse

to any scheme or subterfuge or give any rebates, allowances or reductions in the price of other goods as an inducement or aid or which may operate as an inducement or aid in the making of present or future sales of goods covered by this agreement.

(d) That they, their servants or employees shall not loan or advance, or cause to be loaned or advanced, money on any pretext to a customer or a member or employee of a customer's firm.

(e) That they will allow the Secretary at all times access to their books of account, papers and correspondence for the purposes outlined in paragraph 10 of this agreement.

(f) That they will furnish to the Secretary at the beginning of each month a signed statement from the firm's auditor or, in the event of such not being available, a statement signed by the member in the form as annexed hereto with respect to sections (c) and (d) of paragraph 8 of this agreement.

9. A Secretary shall be appointed to hold office until his successor is appointed. He shall have the right to call a meeting of the Council at any time and shall take the minutes of the meetings of the said Council and shall generally perform all the duties of such Secretary. He shall advise simultaneously by post all members of the council of any change in the Council prices, terms, and regulations.

• • ."

(MCF 17-1-20)

Also bearing the date of January 17, 1938 were two pages which were apparently intended as attachments to the sheets setting out the arrangement. The first of these was headed:

"REGULATIONS AS REFERRED TO IN THE ARRANGEMENT OF THE
QUEBEC FINE PAPER COUNCIL.

The following sheets comprise the schedule of regulations and suggested resale prices as at this date:

Sheet No. 102 May 1st, 1937 General
• • ."

(MCF 17-1-24)

The various sheet numbers referred to pages of the Hodder & Moffitt Schedule as then in effect.

The Quebec Fine Paper Council agreement, the full text of which may be found in Appendix IV, also required under paragraph 10 that the secretary should "conduct an audit and check the books and records of the members for the purpose of ascertaining that the provisions of this agreement have been complied with". Some detailed information on the methods used in the discharge of this duty is given in the next chapter of this report.

At a Quebec Fine Paper Council meeting held on January 24, 1938, the following were elected "to serve on the Advisory Committee":

T. Havill	(Havill Paper Co.)
G. H. Kruger	(Kruger Paper Co.)
W. D. Nelson	(McFarlane Son & Hodgson)

At the same meeting Ivan Moffitt was appointed secretary of the group and certain regulations were established. One of these concerned quantity prices and read as follows:

" . . . "

The minimum quantity to qualify for the unit price not to be below a margin of 4% of the specified quantity.

" . . . "

(MCF 17-1-18)

This general regulation was still in effect when this inquiry started (HOT 34-1-25).

The decisions made at this meeting were reported to Ivan Moffitt and on January 31, 1938 Mr. Moffitt wrote to Marcel Rolland (chairman of the Montreal group) and said:

" . . . I think it would be advisable to incorporate the several regulations as decided by the meeting into the present resale schedule, this particularly in view of the fact that Ontario houses are called upon to respect conditions applying in the Quebec area and vice versa, so that full regulations will have to be placed in the hands of all members.

" . . . "

(JHR 30-9A)

A meeting of the Quebec Fine Paper Council was held in Montreal on February 4, 1938 and at the meeting L. P. Turgeon of Quebec City was represented. The minutes of the meeting show that approval was given to a recommendation (the exact nature of which is not disclosed) made by the Advisory Committee concerning bond papers, and certain measures, applying to sales in Quebec City, were referred to. One such regulation reads:

" . . . "

Mill base price of Book Paper applied only on orders shipped direct from mill in minimum of 2000 lb.

. . . . "

(MCF 17-1-10)

The Quebec Fine Paper Council arrangement entered into on January 17, 1938 was confirmed in effect to January 31, 1939 at a Quebec Fine Paper Council meeting on June 23, 1938 (MCF 17-1-4). This is the last such confirmation which the evidence discloses, although the essential arrangements continued to the time of this enquiry.

From early in 1938, except for a period in the war years, Hodder & Moffitt was represented in Montreal by Russell G. Johnston and the ordinary local administrative duties pertaining to operation of the arrangement were discharged by him or his staff.

Some time in 1939 McFarlane Son & Hodgson withdrew from the Quebec Fine Paper Council. As T. B. Little was not then a member of the C.P.T.A. and did not rejoin until January 1943, meetings of the group at which both of these merchants were represented were usually shown in the minutes as meetings of the "Quebec Fine Paper Merchants", although on occasion some different but similar title was used. Apparently, as from the time of the withdrawal of McFarlane Son & Hodgson, the Quebec Fine Paper Council confined its activities pretty well to the audit mentioned above. When T. B. Little rejoined the C.P.T.A. the main Montreal group adopted the name, Quebec Sub-Section.

As in the Ontario Sub-Section the members of the Quebec group held regular meetings and at these meetings matters pertaining to prices and conditions of sale were discussed and decisions resulting in new prices or conditions of sale were reached. In addition to controlling matters within their own group, the Quebec merchants participated in Central Section meetings where matters of concern to both sub-sections were taken up. Some examples of the various arrangements effected are given hereafter.

There was a meeting of the Quebec group on February 17, 1941. One of the minutes said:

" . . . "

War Exchange Tax

The attitude of the Ontario merchants relative to revision of resales for imported lines was not concurred in and it was instructed revision be made effective March 1st.

. . . . "

(CPW 22-4)

A price matter was decided at the meeting held on March 10, 1941:

" . . . "

Coated Blotting Seconds

A resale of twenty-five per cent. discount off regular resale was agreed upon for Coated Blotting Seconds.

" . . . "

(CPW 22-9A)

At the March 10 meeting it was also decided, with respect to coated boards, that "request is to be made for consideration at the coming Special General meeting of the Canadian Paper Trade Association of revision of the mark-up classification in order that imported items would be on the same basis".

On March 24 Hodder & Moffitt's Montreal office wrote to the Quebec Fine Paper Merchants as follows:

"Enclosed is replacing Schedule Sheet No. 642, February 28th, covering the revised resales for Coated Boards to be made effective April 1st.

The prices to be published are as shown and the four bundle price will apply to four bundles or one thousand sheets and over of one brand, assorted as to sizes, weights, colours and finishes. Prices for larger quantities, namely, 16 and 40 bundles, will be per Mill resale schedule and given only on application.

Regular cash discount settlement terms will apply on all prices.

Revised mark-up basis to cover imported items will follow shortly."

(CPW 21-4)

At the merchants' meeting held in Montreal on July 4, 1941, quite a number of matters were discussed. It was apparently against a background of increased business and the possibility of price increases by the mills that the following motion was passed:

" . . . "

Price Prevailing

On regular motion, carried unanimously, it was agreed that effective immediately all quotations and orders, for both warehouse and mill business, are to be on the basis of price

and tax prevailing at time of shipment.

" . . . "

Another minute from those for the same meeting is quoted:

" . . . "

It was agreed to re-instate immediately the resales for Cloth Lined Paper as per Schedule Sheet No. 826 of June 21st. A committee composed of Messrs. Brown, Hulbig, Kruger and Nelson is to give consideration to adoption of a regular basis of mark-up for this grade.

" . . . "

(CPW 22-7)

Minutes of various meetings held during the war years show that within limits allowed under the price control regulations the merchants continued to make arrangements and agreements concerning prices and conditions of sale.

In describing the organization and activities of the Central Section of the C.P.T.A. in an earlier part of this report, reference was made to a meeting held on March 25, 1943 at which arrangements were made for commodity committees within the section. Subsequent to the meeting, the members of the Quebec Sub-Section met and set up six "Commodity Committees" for operation within the sub-section in the following manner:

" . . . "

The function of the Commodity Committees is to study, discuss and make recommendations to the sub-section, with the Joint Commodity Committees submitting its recommendations to the Central Section. No Sub-Section Commodity Committee or Joint Commodity Committee has any power to deal with the Mills. Any matters requiring discussion with the Mills are to be referred to the Mills Relation Committee.

" . . . "

(MCF 18-53B)

Minutes of a meeting of the sub-section held on April 30, 1943 show that by then the appropriate commodity committee had dealt with one paper product in the following way:

" . . . "

The new line of Index Bristol, Guardian Index Bristol, was considered in the light of being competitive to Hawk Index Bristol and having a lower cost. Upon conclusion of dis-

cussion the Bristols and Cover Papers Commodity Committee advised already having reviewed the matter and recommended that the resales for it be established in the usual manner, which was accepted.

...."

(MCF 18-52A)

All price controls affecting fine paper sales by merchants were withdrawn by early April 1947, and the part taken in the review of the "Classification of Grades and Mark-up Schedule" sheets in the Hodder & Moffitt Schedule by the Quebec Sub-Section and its commodity committees has been mentioned earlier in this chapter.

At the Quebec Sub-Section meeting of January 22, 1948 a special committee was formed to review "conditions obtaining with respect to the cutting of the various grades of paper" and to submit a report to the sub-section (LIT 7-28-2). On February 23, Mr. Johnston (Hodder & Moffitt, Montreal) wrote each of the members of the Quebec Sub-Section:

"Enclosed is copy of the Special Committees' memorandum relative to cutting referred to in the agenda for the Sub-Section meeting being held this Thursday, February 26th."

(BEM 1-12)

A considerable number of changes in charges, increases without exception, were included in the recommendations, and the cutting schedule for the Quebec territory as set out on sheets 106-A and 108-A in the Hodder & Moffitt Schedule incorporated them under date of March 19, 1948. A sub-section meeting was held on February 26, 1948 followed by a meeting on March 25. Minutes of neither of these meetings make any reference to the cutting schedule matter.

When the mills increased their prices on fine papers in March 1948, the Montreal merchants in turn adjusted theirs. The Quebec Sub-Section's commodity committees played a peculiar part in this price move. It was apparently the case that insofar as this price move was concerned, the chairman or a prominent member of each of the commodity committees wrote to Hodder & Moffitt giving certain information as to the basis on which prices were to be calculated and asking that resale prices for the particular papers involved be worked out and that he be advised. On receipt of this information from Hodder & Moffitt, each of the merchants was advised of the new prices and at the same time told the date on which the firm circulating the information would make the new prices effective. The following incident illustrates the method used. On March 8 J. S. Ellis, manager of Barber-Ellis of Montreal, wrote to Hodder & Moffitt, Toronto, for the attention of Ivan Moffitt, and said:

"We would like you to figure for us prices for the typewriter sizes $8\frac{1}{2} \times 11$ and $8\frac{1}{2} \times 14$ in the various

grades, weights and colors shown on the attached list.

We require these per 1,000 sheets for Sales Unit and less Sales Unit quantities in both boxed and wrapped form.

The basis to be used is as follows:

Regular Weights

Actual weight of the paper at the listed price per 100 lbs. carried to the third decimal, plus 12½¢ for cutting and wrapping, fractions of ¼ and more to be adjusted to the full cent higher, plus

1. Wrapped full Sales Unit - 100%;
2. Boxed " " " - Plus 40¢ to #1;
3. Less Sales Unit, Wrapped or Boxed
 - 8½ x 11 - plus 20¢ to #1 or #2;
 - 8½ x 14 - plus 30¢ to #1 or #2.

Lightweights

One-quarter of the listed prices per 1,000 sheets of the respective flat sizes, 17 x 22 and 17 x 28, and then as above for the regular weights.

This cutting and wrapping charge is not to apply to the items marked 'X'.

Your attention to this request will be very much appreciated."

(BEM 1-15)

In Barber-Ellis of Montreal's files there was another typing of the body of the letter quoted above. On its margin it bore the following handwritten note: "John no list to be enclosed Russ" (BEM 1-15A). This note seems to have been in the handwriting of Russell G. Johnston, then resident partner in Montreal of Hodder & Moffitt. If the letter written to Hodder & Moffitt, Toronto, on March 8 was to have any real purpose, the enclosing of a list would seem to have been essential. On March 17, 1948 Barber-Ellis sent the other Montreal merchants letters which read:

"Enclosed please find our revised price list of Typewriter Papers and Cut stock.

These prices will be effective March 19, 1948."

(TH 5-1)

J. S. Ellis, over whose signature the letters of advice were sent out, besides being manager of Barber-Ellis of Montreal, was chairman of the sub-section's Stationery Papers, Typewriter Papers and Cut Stock Commodity Committee.

Hodder & Moffitt Schedule sheets were amended following the March 1948 mill price increases. Their wide use by the merchants is indicated by the following letter written to Hodder & Moffitt, Toronto, on April 13, 1948, by McFarlane Son & Hodgson:

"We have received only one set of Flat Paper price schedules carrying the recent revisions.

Would you be good enough to rush us four more sets."

(HOM 6-26)

It was a practice in the Quebec Sub-Section for the merchants to be advised by mail of a minor change in price or practice. The carbon copy advices were sent out in a characteristic form that bore neither name of addressee nor signature. When Mr. Johnston wrote Mr. Moffitt on June 3, 1948 concerning an error in prices as shown on sheets 232-B and 212-A of the schedule he said:

" . . . I have sent out a correction memo tonight so far as the Quebec Resale is concerned."

(HOM 4-56)

A copy of the memo covering this particular matter was found in one of the merchant's offices. It was in the form above described and said:

"Please note the Full Sales Unit Resale for Boxed Skyway Bond Blue $8\frac{1}{2}$ x 11 on 'Quebec' Schedule Sheet No. 212A should be \$6.86 and not \$6.66."

(JNP 4-7)

The error in sheet 212-A was likewise corrected by a new schedule sheet sent out by Hodder & Moffitt, Toronto, under date of June 4, 1948 (HOT 34-1-51).

In the Quebec Sub-Section, as in the Ontario Sub-Section, many rules and regulations were in effect, many of them being common to both sub-sections. These covered all the variety of small matters which, if left without attention, might have resulted in significant variations of practice on the part of different merchants. Thus the area of the "Montreal Delivery Zone" was extended at a sub-section meeting held on November 24, 1948. A Hodder & Moffitt Schedule sheet, No. 128-A, was put out with effective date of November 24, outlining the new free delivery area. This sheet also said:

" . . .
Deliveries beyond the boundaries of this zone are to be made by independent carrier on the basis of f.o.b. the individual merchant's warehouse.

" . . ." (HOT 34-1-23)

The price uniformity evident in the price lists published by the members of the Quebec Sub-Section and in use in early 1949 was primarily due to the common use of the Hodder & Moffitt Schedule.

(iii) Maritime Section, C.P.T.A.

There are only two establishments of C.P.T.A. members in the Maritime Provinces. These are Barber-Ellis, Maritime, Limited of Halifax, Nova Scotia and Schofield Paper Company, Limited of Saint John, New Brunswick. The former is a wholly-owned subsidiary of Barber-Ellis of Canada, Limited, and the latter is a subsidiary of Canada Paper which, in turn, is controlled by Howard Smith. Canada Paper, as has already been mentioned, acquired an interest in Schofield Paper in 1927 and has had a controlling interest since 1935. (Both Canada Paper and Howard Smith also have subsidiary merchant companies which are members of the Central Section of the C.P.T.A.).

In addition to the business in fine paper transacted by the two merchant companies located in the Maritime Provinces, members of the Central Section of the C.P.T.A. may accept orders from customers in this territory. The Hodder & Moffitt Schedule, which relates to the Maritimes, as well as the Central Section of the C.P.T.A., indicates certain variations that occur between Central and Maritime prices. A number of incidents relating to the fine paper trade in the Maritime Section which are covered in the documentary evidence are dealt with in the following paragraphs.

The sixteenth annual meeting of the C.P.T.A. was held in February 1934. The report of the Maritime Section, which was prepared by E. A. Schofield of Schofield Paper, was read by M. A. Reid of Barber-Ellis, Montreal. Included in this report was the following:

" . . .

We have been endeavouring to steady the prices on fine paper but unfortunately there has been a considerable variation by some members in this market, but if we can only get them to see the situation in the right light we are in hopes it will become more steady.

" . . ."

(BET 7)

At the twenty-fourth annual meeting of the C.P.T.A. held in January 1942, "Mr. Lundy (Schofield Paper Company) reported stabilized conditions had prevailed in the Maritime Province throughout the year, and that all was well at the present time" (FNE 13-93-10).

The importance placed by K. W. Murphy, then sales director of Barber-Ellis, on the use of the Hodder & Moffitt Schedule by his company's Maritime subsidiary is indicated in a letter he wrote to it on June 28, 1948:

"Replying to your letter of June 26th with reference to the latest price sheets covering paper prices, we checked with Hodder & Moffitt this morning and they state they have mailed you all sheets that are ready, but as some may have gone astray we are sending you another set of sheets today. When you get these would you check them over and then let me know if you received these sheets direct from Hodder & Moffitt, as I want to make sure you get all changes as quickly as they come out.

There may be still some items that are not covered as we have not received changes for them as yet. But with the sheets we are attaching we feel you will be able to make all the changes you need in your price list."

(BET 70-1)

On September 9, 1948 Mr. Murphy wrote to Barber-Ellis, Maritime, and said:

"Replying to your letter of September 7th with reference to the one ton import price on paper, we imagine you mean bond paper and the Royal Print and Litho have evidently been advised of this by some mill.

They are correct in stating there is a one ton import price. If you will refer to sheets 352 and 358 of the Hodder & Moffitt master list that you have in your office dated May 27th, you will note there is a one ton mill price. On Page 356 you will note it sets out the terms of sales for the Maritime provinces. You deduct 25¢ cwt. from these prices and sell them F.O.B. the mill. All this information is set out in sheets 352, 356 and 358. If there is any further information you want please advise us."

(BET 3-2)

To this letter the Maritime company replied on September 11:

"We wish to thank you for your letter of September 9th advising us of the one ton price on printing paper, and as the Royal Print have requested we send them a

copy of this price list we are deducting 25% per hundred weight from the prices shown in Hodder & Moffitt's list and are quoting them f.o.b. the Mill.

... "

(BET 3-3)

The existence of common policies throughout eastern Canada concerning charges for freight is indicated in a letter written by Ivan Moffitt on April 12, 1950 to the late J. B. Larkin, who was in charge of Howard Smith's merchandising subsidiaries:

"Attached is a memo showing the free delivery points for ex-warehouse shipments of Fine Papers. These are the points at which Fine Paper warehouses are maintained, with the exception of Walkerville and Windsor.

A Merchant at Toronto would, for example, sell at his warehouse list price on delivered basis to a customer at Montreal, Saint John or Halifax. A Montreal Merchant would in the same way treat sales to a customer at Saint John or Halifax. The same would apply to other free delivery points mentioned in the list.

In addition to this, shipments to other destinations would be equalized on the nearest of the various equalization points as listed. For example, a Toronto Merchant shipping to Sherbrooke would equalize on Montreal, or on a shipment to Timmins the freight would be equalized on North Bay. The same principle would apply with respect to shipments to the Maritime provinces; that is, shipments to Moncton would be equalized on Saint John."

(HOT 53-1A)

Exchange of information through the office of the secretary of the C.P.T.A. in order to have a uniform price as a basis of quotation is indicated in a letter of February 9, 1948 from K. W. Murphy of Barber-Ellis to Ivan Moffitt. Mr. Murphy wrote:

"I checked our selling price to the Eastern Electric on Brown Telephone Cover. Last year we supplied them this stock in size 19 x 26 - 143 M at .13 $\frac{1}{2}$ a pound, net thirty days, f.o.b. Halifax. Our cost was \$11.60 per hundred weight, shipped pool car collect, with a notation on the invoice, 'the freight was equalized on Windsor mills'.

The new cost on this stock is \$12.10 a hundred weight, and we have figured out a new selling price of .14 $\frac{1}{2}$ a pound net, f.o.b. Halifax.

When you give the new selling price to Buntin Gillies

you can tell them we will quote .14½¢ if we are asked on this order.

. . ."

(BET 1-1)

A letter written on February 16 by A. L. Naismith, general manager of Buntin Gillies, to a member of his staff shows that during the interval between February 9 and February 16 it had been decided to raise the price of the paper in question by 50¢ per cwt.:

"I have been in touch with Mr. Ivan Moffitt and he advises that the price agreed to by another house and ourselves to be charged to Eastern Electric & Supply Company on Brown Telephone Cover Stock in ton lots and over is to be \$14.75 per cwt. based on the present cost.

. . ."

(BGC 11-2)

(d) Pricing Practices in Prairie Section, C.P.T.A.

Out of the seven persons said to have been present in 1918 at the organization meeting of the C.P.T.A., six were connected with businesses then being operated in Winnipeg. Since that time Prairie fine paper merchants have been part of the membership of the C.P.T.A. and have formed a group within it.

Minutes of meetings of the group show that in 1929 it was known as the "Prairie Division" of the C.P.T.A. and that in 1935 it started to operate under the name of "Prairie Fine Paper Council". This last name went out of use in mid-1945 and minutes of meetings show that from then on the group was called the "Prairie Section" of the C.P.T.A., although it might be noted that this name had been used in other records before then. Particulars of membership in the Prairie Section of the C.P.T.A. in early 1950 are given in Table IX.

Meetings of the Prairie Section have generally been held in Winnipeg. It has been the case that meetings between the houses locally represented have been held in other Prairie cities but, generally, approval for any substantial action had to be given from Winnipeg. Thus, the following was included in the minutes of a meeting held in Winnipeg on February 16, 1939:

" . . .

. . . In future, Alberta price amendments must first be authorized by this council.

. . ."

(MID 3-15)

The Prairie merchants make sales under prices and conditions of sale arranged among themselves for the three Prairie Provinces, certain areas of British Columbia bordering on Alberta and the Lakehead region of Ontario.

During the period 1929 to early 1935, A. C. Hunt of Mid-West paper acted as secretary. When the Prairie Fine Paper Council arrangement was entered into in 1935, W. J. Macdonald, a private practising accountant, became secretary. In November 1939 Mr. Macdonald resigned and his place was taken by Donald Williamson who became manager in Winnipeg of an office opened at that time by Hodder & Moffitt, the latter being formally designated as "Secretary of the Council" (MID 3-7). Since 1939 Mr. Williamson has represented Hodder & Moffitt, of which in recent years he has been a partner, in Winnipeg and has acted as secretary to the local group.

The available records indicate arrangements within the Prairie group relating to the fixing of common prices and conditions of sale as far back at least as 1928. These arrangements have been similar to those in the Central Section but, as in that section, matters concerning the merchants' dealings with each other within the section have been arranged locally and consequently in its details the Hodder & Moffitt Schedule for use in the Prairies was often quite different from the Hodder & Moffitt Schedule which was developed for use in eastern Canada.

There is record of a meeting as long ago as June 5, 1929 at which the Prairie merchants discussed and reached decision on matters relating to prices, freight equalization and assortments within a unit of sale quantity (BET 8-3B; BET 8-3C).

As has already been stated a "complete set of suggested resale price sheets" was issued to members of the Central Section in 1930 (JER 35-39). Whether there was then such a list in effect on the Prairies is not known but the minutes of a Prairie Section meeting, held on May 8, 1931, include the following:

" . . . "

CLASSIFICATION OF GRADES AND PRICE MARK-UP BASIS: The proposal made by the general secretary covering this matter was accepted generally by the members, and the Secretary was instructed to ask Mr. Moffitt to proceed at once with the drafting of the western Price list on the basis of this classification mark-up.

" . . . "

(BARK 34-176)

Copies of minutes for some of the meetings held during 1931, 1932, 1933 and 1934 were available during the investigation. These minutes show that the Prairie Section kept in close touch with activities in the Central Section and from time to time requested information on those activities from Mr. Moffitt, C.P.T.A. secretary, whose assistance or advice on various other matters was also frequently requested or given. The minutes also make repeated references to prices and to matters directly related to the cost of fine papers to the merchants' customers.

Minutes for the meeting held on December 13, 1934 include the following:

" . . . "

Maintenance of Resales - The Secretary was instructed to send to each member a copy of the considered plan recently adopted in eastern Canada for further consideration of the Section.

" . . . "

(BARK 34-87)

This in all probability refers to the Ontario Fine Paper Council Arrangement.

The Prairie merchants met on January 18, 1935 and the minutes say:

" . . . "

New Fine Paper Council:

Full consideration was given to the proposal to form a new Fine Paper Council, to be known as 'The Prairie Fine Paper Council'. The plan of organization in detail was to follow the general line of the new Ontario Fine Paper Council, and by unanimous vote the members endorsed the principles of the new Council as outlined and confirmed the decision to organize this new Council.

A committee composed of -

Messrs. Maxey (Barber-Ellis)
Wilson (Clark Bros.)
Hunt (Mid-West Paper)

was formed to present details of the plan at an adjourned meeting.

" . . . "

(BARK 34-80)

At the meeting on January 22, the committee reported and the arrangement was "confirmed, adopted, and accepted, to be put into effect on March 1st, 1935". A four-man advisory committee was appointed (BARK 34-79). Further consideration was given to the "regulations covering the new Council" at a meeting held on February 7, 1935 which was attended by Mr. Macdonald, the new secretary. All the firms, then existing, and shown in Table IX as having warehouses in Winnipeg were represented at either the meeting of January 22 or February 7, or both.

Minutes of a meeting held on March 14, 1935 included the following:

After some discussion it was moved by Mr. Hunt, seconded by Mr. Phillips (Phillips Paper Co.) that the Agreement attached to and forming a part of these minutes be effective from today insofar as the Province of Manitoba is concerned, and that this meeting re-affirm its intention to abide by the terms and spirit thereof.

Carried unanimously.

It was moved by Mr. Clark, (Clark Bros.) seconded by Mr. Murphy (Barber-Ellis) that the Advisory Committee be instructed to proceed at once with the preparation of a circular to be signed by all seven member companies and to be sent out to all printing and other firms concerned advising them that the Agreement was in force and that no special concessions might be expected from any of the subscribing parties.

It was moved by Mr. Hunt, seconded by Mr. Maxey that price lists and trade regulations as typed by Mr. Moffitt be discussed and approved by the Advisory Committee this week, and forwarded through the Secretary to Mr. Moffitt for the necessary copies to be struck off.

(H.O.W. 14-115)

Mr. Williamson kept in his possession certain records of the Prairie Fine Paper Council (P.F.P.C.). One of these was three pages in length and was headed:

"CANADIAN PAPER TRADE ASSOCIATION

MARCH- 1935.

Prairie Fine Paper Council"

At the bottom of the first page was typed:

"This is page 1. of the Agreement referred to in the Minutes of a meeting held at the Fort Garry Hotel, Thursday, March 14th, 1935 at 12.15 p.m."

(H.O.W. 13-102)

The second and third pages bore similar notations. This document, which was closely patterned on the Ontario Fine Paper Council arrangement, appears in Appendix V to this report.

The minutes of the meeting held on April 18, 1935 show that the question of the value of the arrangement had been under review:

" . . . "

Present
Situation

On inquiry by the Secretary as to whether the new arrangement as to prices was working satisfactorily it was the unanimous opinion of those present at the meeting that the arrangement was working satisfactorily. The necessity of close co-operation between the members was again emphasized. In particular it was suggested that the Secretary should be used as a clearing house in regard to any attempt by printers to obtain special discounts.

" . . . "

(MID 3-48)

From the terms of the 1935 Prairie Fine Paper Council arrangement it is clear that in drawing it up it was the intention of the members to re-affirm their previous agreements and to set up a system within which the agreements could be enforced. The evidence discloses a record of price agreement by the Prairie fine paper merchants from the time of the 1935 Prairie Fine Paper Council arrangement to the time this investigation started.

The Prairie merchants have used a version of the Hodder & Moffitt Schedule that was based, insofar as ex-warehouse sales were concerned, on agreements made on the Prairies. It incorporated different mark-up bases and different quantity discount arrangements from those set out in the schedule used in the Central Section of the C.P.T.A.

At the meeting held on July 9, 1935 the matter of "Change of price, Tariff, Antique, & Offset Papers" was dealt with:

" . . . "

The Secretary read a letter from Mr. Moffitt in this connection and it was unanimously agreed that Mr. Moffitt should be asked to complete new sheets giving effect to the change of price, as indicated in his working papers.

" . . . "

(MID 3-40)

On August 15, 1935 the group's secretary apparently sent a circular to the merchants saying:

"The resale sheets recently sent you as prepared by Ivan Moffitt are effective at once."

(BARK 34-4C)

The Hodder & Moffitt Schedule in use on the Prairies had prices for each of the three provinces. It was in use insofar as Saskatchewan business was concerned by August 1, 1935 (MID 3-95) and, along with a quantity discount system which had been arranged on May 10 between the three Prairie merchants operating in Alberta, in Alberta by August 15 (MID 3-38).

The minutes of a Prairie Fine Paper Council meeting held on September 12, 1935, say:

" . . . "

. . . It was unanimously decided that in future members having requests for tender from the railroads should not quote thereon before clearing with the Secretary.

" . . . "

(MID 3-37)

Apparently deposits of the type described in the Prairie Fine Paper Council arrangement were only held for a short while as at the meeting of November 14, 1935 the secretary was instructed "to refund the deposits to the contributors" (MID 3-95).

A meeting was held in Winnipeg on January 27, 1936 which was attended by representatives of Mid-West Paper, Barber-Ellis of Winnipeg, Clark Bros. and the secretary. The minutes say:

"After some considerable discussion it was agreed that the new price list in Alberta should be based on a straight mark-up of 2 $\frac{1}{2}$ per lb. over Manitoba on Bonds, Books, Bristols, Mimeo Writings and Manillas, and on a straight mark-up of 2 $\frac{1}{4}$ per lb. over Manitoba on all other lines.

No. 7 Bond was excepted from these provisions and a resale price of 15 $\frac{1}{2}$ per lb. was agreed upon.

" . . . "

(MID 3-89)

At another meeting on the same day the minutes show that, concerning Manitoba resale prices:

"The meeting approved the resale sheets produced by the Secretary with certain minor changes and he was instructed to forward these without delay to Mr. Moffitt for compilation of complete resale sheets in the usual form.

" . . . "

(MID 3-88)

Schedule sheets covering ex-warehouse sales, as prepared by Hodder & Moffitt, have required certain changes before incorporation in merchants' printed price lists. One such change has been the addition of trade names appropriate to the papers carried by the particular merchant. Another change necessary in the Prairies has been a conversion of prices calculated by Hodder & Moffitt on a 100 lb. basis to prices on a 1000 sheet basis. Minutes of a Prairie Fine Paper Council meeting held on February 10, 1936 show that a procedure for the lessening of the chance of error in the printing of merchants' price lists had been worked out:

"The Secretary supplied the members with copies of the new Manitoba resales excepting those for shipping tags and ruled goods which have not yet been prepared. It was agreed that the tentative date for publication of the new revised price list would be March 16th and that every endeavour would be made to have the price list in the hands of the Trade by that date. It was further agreed that Mid-West Paper Sales Ltd. would submit galley proofs of their lists at the earliest possible moment to all members of the council and that these members would check these proofs with expedition and compile their price lists on the basis thereof, making such additions and omissions as were necessary in each case.

" . . . "

(MID 3-85)

Group control of pricing on a product stocked by only one merchant is indicated in a minute for the meeting held on March 18, 1937:

" . . . "

Munroe Mill Boards

The price advances for this line as advised to the Secretary by Messrs. Clark Bros. & Co. Ltd. on March 17th, 1937 were submitted to the meeting and were approved; separate advice covering the new prices will go forward to the members.

There was some discussion as to the method in which price changes of this description have been made, and the policy was re-affirmed that all price changes should be sent out through the Secretary's office after receiving the approval of a majority of the members.

" . . . "

(MID 3-63)

In such a case as that referred to above, the merchants who did not stock the "Munroe Mill Boards" would be able to get supplies through Clark Bros.

Sheet No. 104 of the Prairie Hodder & Moffitt Schedule as it was in effect in 1949 bore the date of June 5, 1937. This sheet set out various "General Regulations" on such matters as mill trade customs, claims, price changes, returns, direct mill shipments, additions of new lines, job lot distribution and "Quantity Prices, Ex-Warehouse Stocks". This last regulation read as follows:

"**QUANTITY PRICES, EX-WAREHOUSE STOCKS** Prices for quantities shall be understood to mean that the specified quantity must be billed and delivered at one time, and that it cannot be delivered subsequently in partial instalments, except when seller has not the full stock on hand to fill the order and the buyer requires a portion thereof for immediate use. In such cases a partial delivery may be made, but the facts shall be plainly stated on the invoice."

(HOW 16-9)

Such a provision was expedient if the price agreement among the merchants was to be kept intact. One reason for the requirement that the facts concerning a partial delivery be clearly stated on an invoice would be that if this was done a buyer who, because of the circumstance of partial delivery, got a lower price than that ordinarily being charged for the smaller quantity, could not use the invoice in attempting to get another merchant to meet the price. It would also facilitate an audit for the purpose of investigating irregularities.

The minutes of a meeting held on October 20, 1939 refer to a further qualification upon conditions governing sales in which only partial deliveries were made:

" . . . "

Incomplete shipments It was pointed out that, in certain instances, sufficient stocks are not carried to fill the full amount of customers' orders. It was agreed that when more than one delivery is necessary, for this reason, the balance of the original order cannot be added to by the customer.

" . . . "

(MID 3-8)

An example of joint action among the merchants in a Prairie city other than Winnipeg occurs in the record of a meeting of the "Edmonton Paper Trade Association" which was held on March 4, 1938:

" . . . "

Mr. Webber [Smith, Davidson & Wright, Edmonton] raised the point of discounts to the Kings Printer on flat paper, suggesting that it might be advisable to allow him a special discount of 15% on any quantity. After discussion this was not thought advisable as the Kings Printer here does not do much printing in his own plant, sending most of his stock out to be printed. It would only be a few weeks before all the printing trade would know of this arrangement and would demand similar concessions. . . .

" . . . "

(SDC 2-10)

The situation in respect of discounts and mark-ups generally, changed from time to time as the following paragraphs will show. The manner of these changes indicates that the uniformity of price structure in existence when this investigation commenced was not merely the result of individual adherence to traditional mark-ups and discounts. Meetings, attended by representatives of both mills and merchants, were held in Winnipeg on April 11 and 12, 1938 in connection with proposals of the mills for the introduction of delivered prices in the Prairie Section. A number of important changes were decided upon by the merchants in addition to the acceptance of the system of delivered mill prices. One such change is described in the minutes as follows:

" . . . "

Resale Structure

The quantity discount system of resales as operated in Alberta was adopted to apply in Manitoba and Saskatchewan, and to become effective with the introduction of the revised prices.

" . . . "

A schedule of group assortments and discounts, and a memorandum of the mark-up rates and basis are attached hereto.

" . . . "

(MID 3-26)

Underlying the change to delivered prices was the desire of the mills that the Prairie merchants should make their papers available to consumers at lower prices. Prior to such change the Prairie merchant bought the paper from the mill on an f.o.b. mill basis. Ex-warehouse selling prices for the more important classes of fine papers were then calculated by taking the mill price less loyalty discount of 5 per cent, adding \$1.50 per cwt. for freight and 25¢ per cwt. for cost of "in-house handling" and to the resulting total adding a mark-up of 50 per cent or 60 per cent as the case might be for the particular paper involved. The prices calculated in this way were applicable to sales in Manitoba. Base merchant prices for Saskatchewan and Alberta were then calculated by adding a fixed upcharge per lb. to the Manitoba prices. From these prices certain discounts for larger quantities were allowed. In the case of bond and book papers in Manitoba and Saskatchewan, this discount was 15 per cent of the Manitoba price on a one ton sale.

Because the Prairie merchants' prices included a mark-up on freight and because the actual freight incurred was generally less than the allowances made for it in the calculation of selling prices, the selling prices prior to April 1938 were thought by the mills to be somewhat inflated. When the mills decided to sell to merchants on a delivered price basis they did so with the idea that they would cut the delivered cost to the merchant by absorbing some part of the actual expenses of shipment. In order to be sure that the costs of their papers to the consumer would be reduced as a result of this move, the mills required, during the negotiations with the Prairie merchants, that the latter should make no increase in their actual rates of mark-up. When the negotiations between mills and merchants were finally completed, some few upward changes in the rate of merchants' mark-up were made but on the bulk lines there seems to have been no change. As a result of these negotiations the Prairie fine paper consumer could, as a general thing, buy at lower prices than hitherto; the mills' net return on papers sold through Prairie merchants had been reduced; and the actual gross profit per cwt. on merchants' sales had, although not without exception, also been cut.

Percentage rates of mark-up used in the Prairie Section are found in Hodder & Moffitt Schedule sheets going back as far as May 1, 1937. These schedule sheets show that from time to time there were changes in the actual percentage rates of mark-up and that these changes tended to be by way of increase in rate. Sometime between 1937 and 1950, for example, mark-ups on a number of lines of paper tended to change from 50-55 per cent to 55-60 per cent. At the same time, a comparison of the rates of quantity discount being allowed in April 1950, with those being allowed in April 1938, reveals a number of changes, the general effect of which was to enlarge the discount to the consumer who bought in the requisite quantities.

When the Prairie merchants operating in Manitoba and Saskatchewan decided in April 1938 to adopt the "quantity discount" system of resales as operated in Alberta" the changeover had particular application to bond, ledger and writing papers and book papers. Before the change the merchants quoted their prices for these papers on a per lb. basis, the base quantity unit for price being the full package. For bond papers ex-warehouse prices were quoted on a full package basis, a 500 lb. basis (full package price less 10 per cent) and a one ton basis (full package price less 15 per cent). On book papers a price 10 per cent below that for the full package price was quoted for sales of 1000 lbs. and over, and another price of 15 per cent off the full package price for sales of one ton and over was also shown. After the changeover the Prairie merchants set out their prices on a per 1000 sheet basis and allowed quantity discounts from these prices on a percentage basis.

The pricing system adopted in April 1938 for use in Manitoba and Saskatchewan had provisions under which the buyer of fine papers could assort the sheets making up the quantity necessary to qualify him for the discount. Thus a buyer could order five lots of 1000 sheets each of bond paper with each of these lots being different from the other, either in size of sheet, colour of paper, grade of paper or basis weight of paper, and still get the 2½ per cent quantity discount allowed on bond paper orders totalling 5000 sheets. Assorting for quantity discount purposes was allowed within each of a number of classes of paper. Assorting privileges were still a part of the Prairie merchants' ex-warehouse price structure in 1949. A pertinent regulation then in effect was set out on sheet No. 202 of the Hodder & Moffitt Schedule as follows:

" . . .

DISCOUNT QUANTITIES As follow may be assorted as to grades, sizes, weights, colours and finishes, within the group, to qualify for discounts:

Bonds, Ledger, Mimeograph, Writing,)	5,000 Shts.	- 2½%
Manilla Writing, Waybill Manilla,)	10,000 "	- 5%
Stationery, Lightweight Papers,)	25,000 "	- 10%
Onionskin, Manifold, French Folio,)		
Carbon Copy.)	50,000 "	- 15%

Double sizes (22 x 34, etc.) count as twice number of sheets for discount purposes, providing there is a sheet listed by the mill the dimensions of which are half of the double size under consideration."

(HOW 16-16)

At the same time in 1938 as the mills started to sell the Prairie merchants on a delivered price basis they put in delivered prices for direct mill accounts buying in larger than ordinary ex-warehouse quantities. This limited the merchants' gross profit possibilities since these direct mill shipment prices were more favourable to the consumer who took advantage of them, than the prices such consumers previously paid. Some information on the mill-merchant negotiations concerning the introduction of the delivered price system in the Prairie territories may be found at pages 147 to 150, inclusive, in Chapter V.

The subject of the rate of mark-up in the Prairie Section was one that came under review from time to time in the merchants' meetings. Although the range of changes over the years was not wide, the increase in gross revenue through any agreed increase in the rate of mark-up could come to quite a substantial amount in a year. On December 5, 1938 there

was a meeting in Winnipeg of the Prairie Fine Paper Council. A minute headed "General Mark-Ups" says:

" . . .

It was suggested that certain of the present mark-ups be increased. These are to be worked out at meetings in the near future.

. . . "

(MID 3-18)

At a meeting held on December 15, "the proposed list of new mark-ups, mailed from the office of the Secretary on 7th December, 1938, was discussed and adopted without change". New price lists were to be issued "as soon as possible" (MID 3-17). On January 12, 1939 the mark-up question was again discussed:

" . . .

Mark-Ups The rates of mark-up used in preparation of the recent resales were passed by the members. The mark-up on No. 7 Bond and No. 2 Mimeograph (white only) was raised from 50% to 52 1/2% in Manitoba. Adjusted sheets in this connection will be issued immediately.

. . . "

(MID 3-16)

Sheets showing these adjustments appear to have been put out by Hodder & Moffitt either in advance of the meeting or with back dating, for they are dated November 30, 1938.

At a meeting in Winnipeg on February 16, 1939, attended by representatives of Barber-Ellis of Winnipeg, Clark Bros. and Mid-West, "it was decided to increase the mark-up on #7 bond (white and colors) and Manilla Writing from 52½% to 55% - Alberta only" (MID 3-15).

There were price reductions by the mills in the latter part of 1938 and it was apparently after the announcement of a mill price cut that the managers in Calgary, for the merchants represented there, had a meeting on September 8, 1938. The minutes say:

"The meeting was called to discuss price revisions.

Owing to the short notice it was found impossible to make the revisions effective Monday, September 12th, as instructed by Winnipeg but the date for the new prices to be in the hands of the printers was tentatively set at Thursday, September 15th, subject to the confirmation of the Edmonton houses.

It was agreed that the new prices should be extended to the nearest cent and not the next even cent as on the last list. Under the new system any price figuring to .5 or over would go to the next cent, and any fraction less than .5 would be dropped.

It was definitely understood that no mention would be made to the trade of the new prices and no rebates would be made for stock purchased prior to September 15th."

(SDC 2-1)

The minutes for the meeting held in Winnipeg on February 16, 1939 include the following:

" . . . "

Non-Printers buying Flat Papers The list presented to the meeting was accepted. Addition to this list must be authorized by council. The Secretary will issue this list to all distributors upon receipt of certain information from Calgary.

. . . "

(MID 3-15)

Such a list was issued on April 13, 1939. This list set out the names and locations of certain persons who were not considered as being in the commercial printing business but who conducted certain printing operations in their own printing plants. Only if such an account was named on this list could a merchant sell it on the printers' price basis (MID 3-12).

The meeting held on November 29, 1939 gave attention to a matter relating to mark-ups as the following quotation from the minutes shows:

"Schedule Pages 902, 904, 906, mark-ups It was pointed out that the lists of February 20th, 1939 for page 902, November 30th, 1938 for page 904, February 20th, 1939 for page 906, had not yet been made effective in this territory and it was resolved that this mark-up should be put into force on the first general mill price advance.

. . . "

(MID 3-6)

Apparently the next general price increase took place shortly after this as a circular prepared by the Barkwell Paper Co. under date of December 30 announced price increases on a broad range of papers "pending issuance of

regular price sheets" (BARK 30-83).

Minutes of a meeting on January 2, 1940 indicate that certain schedule sheets showing resale prices had been received from Toronto. Copies of these were to be sent to each of the members for study (MID 4-80). Apparently a price change was put into effect by the merchants shortly after this, as on March 21, 1940 Hodder & Moffitt, Winnipeg, wrote to the Prairie Section members:

"You will recall Mid-West Paper Sales were authorized to work out the extended prices for the lists published 26th February and the costs were to be borne by the Council.

We have the Mid-West debit now for \$25.00 covering this service.

We suggest the undernoted assessment as reasonable and if you concur will be glad to have cheque for your share at your early convenience.

..."

(BARK 30-80)

On July 2, 1940 Hodder & Moffitt sent out a letter including the following:

"Fine Papers."

Below we give you the advances effective to-day, and which you should notify to your trade immediately.

..."

(BARK 30-75)

Price increases of up to 75¢ per 100 lbs. for a number of papers were shown. On July 19, 1940 Hodder & Moffitt, Winnipeg, wrote to six Winnipeg merchants and said:

"We enclose the attached price lists as prepared by Messrs. Barber-Ellis of Winnipeg Limited and Mid-West Paper Sales Limited - checked by Clark Bros. & Co. Limited, and typed by us."

(BARK 30-70)

The publication dates for the new price lists were fixed at a meeting held on July 22, 1940 as being August 1 for Winnipeg, August 12 for Regina

and Saskatoon and for Calgary and Edmonton the dates were left "to be decided by their Councils" (MID 4-69).

Continued collaboration on prices and regulations is indicated in the minutes of a meeting held on October 11, 1940 which say:

"Price Changes Certain changes in the East having come into effect the appropriate Western schedules were ordered changed to conform.

These had reference to

Gummed Papers
Blottings
Book Papers

with some changes in the regulations affecting Book Papers.

...."

(MID 4-67)

All relevant evidence in the investigation shows that the Prairie merchants continued from 1935 to 1950 to observe the general price agreement embodied in Section 5 (see Appendix V) of the Prairie Fine Paper Council arrangement. For this reason the matters that came up for discussion at the various meetings held were matters of detail. Clearly, if there had been no such basic understanding, many of the agreements on matters of detail of the types that have already been illustrated would have been purposeless. Two more such items were included in the minutes for a meeting held in Edmonton on April 30, 1941:

....

Special Items Quotations are not to be given on special
Not Listed items not listed in Hodder & Moffitt's list until prices have been agreed upon by all members interested. Smith, Davidson & Wright, Calgary, to be advised through their Edmonton office.

....

Mayfair Cover Effective immediately, Sapphire and Tangerine
Deep Shades to take the same price as Black and Scarlet. Printers to be advised and price lists to be revised.

...."

(MIE 2-7)

The Edmonton group's meetings were attended by representatives of Barber-Ellis of Alberta, Clark Bros., Mid-West Paper and Smith, Davidson & Wright.

Many of the price schedule sheets put out by Hodder & Moffitt in both the Central and Prairie Sections of the C.P.T.A., bore the inscription "Suggested Resales". Various witnesses stated when giving evidence that the prices set out in the Hodder & Moffitt Schedule were for use only as a guide. This view is scarcely consonant with such communications as the following letter, written by D. Williamson of Hodder & Moffitt, Winnipeg on June 17, 1941 to Barkwell Paper:

"Re: American Millboard"

Please refer to Sheet 824, July 23rd.

We are advised American Millboard has advanced \$5.00 a ton June 1st.

We give you below the suggested resale which has been made up by Clark Bros. & Co., Ltd. and approved by Mid-West and now only requires your approval to be made effective since the other members are inclined to leave this for decision to the three firms concerned.

<u>Less Bdle.</u>	<u>Full Bdle.</u>	<u>½ Ton</u>	<u>¼ Ton</u>	<u>Ton Lots</u>
6.80	5.40	5.10	4.90	4.60

f.o.b. Winnipeg.

For Regina, Saskatoon, Calgary and Edmonton there would be the usual arbitrary advances.

Since we have been unable to make telephone contact with you we would be obliged if you would phone us if this suggested resale meets with your approval when we will issue a corrected sheet."

(BARK 30-26)

The evidence shows that during the period when wartime price controls were effective, the members of the Prairie Section continued to meet and arrange for the carrying out of common policies within the limits resulting from the emergency controls. This is illustrated in a letter written on April 1, 1946 by A. E. Nelson, manager of Barber-Ellis, Winnipeg, to Barber-Ellis managers in Regina, Calgary and Edmonton, following on an authorization by the W.P.T.B. for an increase in fine paper prices:

"Here are the new price sheets, and following through instructions from Mr. E. H. Ellis, and Mr. K. W. Murphy, this is what you are to do. The writer has also met with

the heads of Mid-West Paper Sales, and Clark Brothers, and they have agreed to the following:

Any goods that you have already delivered, are to be invoiced at the old prices.

All other orders, starting first thing Monday, April 1st, are to be invoiced at the new prices. That means that everything you have in stock is to be sold at new prices. Also, if Mill Shipments left the Mill last week at the old price, and you don't charge them until this week, when you get them, you are to charge them at the NEW PRICES.

• • •"

(HFC 4-3)

It has already been mentioned that price controls on a number of grades of fine papers were removed on January 13, 1947 and that price increases were authorized for certain grades of paper remaining subject to price ceilings. On January 14, 1947 there was a meeting in Winnipeg of the Prairie Section. The minutes for the meeting show that a number of Hodder & Moffitt Schedule sheets were issued and that the changes in prices as incorporated in these were "effective 15th January 1947". The minutes also give sheet numbers for sheets not yet completed and after listing these go on to say:

"In so far as the above items are concerned prices of 11th January 1947 will govern until new prices received- these to be effective when received.

• • •"

(HFC 4-25)

This passage in the minutes was drawn to Mr. Williamson's attention when he gave evidence. The transcript is quoted:

"Q. . . . That was the decision of the meeting, was it?

A. I think so, yes; somebody suggested it, anyway.

Q. And it was concurred in by all the other people present?

A. We don't go in for votes, and all that sort of thing. Nobody objects, and there you are.

Q. It is taken for granted, if there is no objection, that the others do concur, is that correct?

A. Yes, I think so.

Q. And will abide by the decision, unless they state to the contrary?

A. Unless they state to the contrary, yes."

(Evidence, p. 2173)

Also at the meeting of January 14, Messrs. Clark (Clark Bros.), Lebeau (Mid-West Paper) and Nelson (Barber-Ellis of Winnipeg) were named "to work with the Secretary in arriving at fair and reasonable prices on items hereunder" which included millboards and cut-to-size sheets.

R. G. Lebeau's letter of March 29, 1947, written to his company's Calgary branch concerning the production of a new printers' price list by that branch, said:

" . . .

We assume that you have checked with the Edmonton proof and whatever grades are listed in the Hodder-Moffitt Book, of course, are standard, but anything not listed in the Hodder-Moffitt Book, should be based on Winnipeg prices plus freight differentials to Calgary, which final selling price should be in accord with the Edmonton Book, and also as agreed upon with your competitor."

(MID 65-4)

A peculiar quirk in the pricing system was apparently removed in May 1947, as on May 7 Mr. Nelson (Barber-Ellis, Winnipeg) wrote to the Barber-Ellis offices in Regina, Edmonton and Calgary and said:

"It has been agreed by the Sales Director [K. W. Murphy] that the three Prairie Provinces should adopt a uniform system for arriving at cut sheet prices and this system is explained on sheets 852 and 852 A of the Hodder & Moffitt schedule.

These new cut sheet prices are effective immediately and are also being put into effect by Mid-West Paper Sales and Clark Bros. Actually this is the same list that has been used for some years in Alberta and it does away with the possibility of a customer buying cut sheets on a lower price than he could buy the full sheets.

As soon as the details can be worked out, cut sheet schedules giving a break down of various grades and sizes, $8\frac{1}{2} \times 11$ and $8\frac{1}{2} \times 14$ will be issued but in the meantime we would ask you to figure them out according to the new formula."

(BEE 7-4)

For some time prior to July 1947, six buyers in Saskatchewan were getting special prices from the merchants on direct mill shipment purchases of bristols, blanks and covers. After some negotiating

between Messrs. Lebeau, S. Clark and K. W. Murphy (Barber-Ellis) these were apparently cut off, as on July 15 Mr. Lebeau wrote to Mr. Murphy:

"Thanks for your letter of July 14th in connection with special arrangement which we formerly had in effect for Saskatchewan only covering direct Mill shipments on Bristols, Blanks, and Covers.

Have written our Branch Managers advising that this special concession for Saskatchewan has now been discontinued and that in future we are in agreement that the new 20% discount from regular price list will apply on quantities of 25M sheets of one grade and over.

Thanks for your co-operation. We believe this is a step in the right direction."

(MID 49-3)

After Provincial Paper announced its "Thriftcoat" line, this being a machine coated paper, it was decided at a meeting in Winnipeg on June 17, 1947 that it should "be carried trimmed four sides, cased" and that discounts for quantity would be "as for Coated Books" (BARK 3-13A). At this same meeting the subject of "new lines" was discussed. The minutes include the following:

" . . . "

NEW LINES No new permanent lines shall be offered for sale to the Trade without notification to the other members at a Council meeting.

If new lines are added by one member they shall be made available to other members on a basis of discount agreeable to the firms concerned.

. . . "

(BARK 3-13A)

The only real difference between this regulation and one that had been included in sheet 104 of the Hodder & Moffitt Schedule (FOU 16-9) since at least June 5, 1937, was that the word "permanent" had been added.

It will be remembered that merchants' ex-warehouse prices were closely related to the quantity involved and to the unit packages in which the papers were put up. Thus in January 1947, after the mills started packing certain papers in packages of 1000 sheets as compared with the former 500 sheets per package, any customer buying 500 sheets of a sulphite bond paper from a Winnipeg merchant would have paid the less than package price, which was 5¢ per lb. over the package price. Because of this change and the extra charge for paper in less than package lots, the Winnipeg buyer would on January 15, 1947 have paid \$3.50 for 500 sheets

of No. 7 bond in a weight of 16 lbs. per 500 sheets, measuring 17" x 22", whereas, had the paper not been carrying a "broken package" surcharge of 5¢ per lb., the price would have been \$2.70. A letter written on July 2, 1947 by A. E. Nelson, manager of Barber-Ellis, Winnipeg, to the Barber-Ellis offices in Regina, Calgary and Edmonton shows what happened when merchants still carrying packages of 500 sheets of certain papers had, in accordance with an agreement of January 14, 1947, sold them at the broken package price:

"It was agreed by all members of the C.P.T.A. on the Prairies, that we would revert to the full package price on 500 sheets and over on Bonds, Writings, Manilla, Mimeo, as of Thursday, July 3rd.

We realize that it may be thirty days or more before we secure the new pack but there was so much bitterness amongst the customers when we went to the broken package for less than 1M sheets even before our stock of 500 sheet packages had been used up, that we felt we should change back immediately.

You will please take note that Onionskin is still packed 1M sheets to the package and less than 1M sheets takes the broken package price."

(BEC 12-6)

The matter of fixing a new end date beyond which merchants' customers should not get the 2 per cent cash discount on ex-warehouse sales was considered in late 1947. On November 10, K. W. Murphy of Barber-Ellis wrote to Mr. Nelson of Barber-Ellis, Winnipeg:

"At a meeting with the managers of our Prairie branches, it was decided to change our cash discount date to 2% 20th, first following month. Mr. Moffitt suggested that this change be made January 1, 1948, and I would ask Mr. Nelson to clear this through the Winnipeg Council and advise the Saskatchewan and Alberta branches if this is agreeable to Mid-West Paper Sales Ltd., Clark Bros. and Hillier Paper Co. If it is, have your term stamp changed to read 2% 20th, instead of 2% 25th, and start using this January 2nd."

(BEW 22-26)

There was a meeting of the Prairie Section on November 14 and the minutes say:

" . . .

CASH SETTLEMENT TERMS One member advised cash settlement terms as 2% - 20th month following, effective on purchases after 1st Jan. 1948.

" . . ."

(BARK 3-9)

Although the change is referred to in the minutes as the unilateral arrangement of one party, on November 14, the same day as the meeting, Mr. Nelson wrote to the Barber-Ellis offices in Calgary, Edmonton and Regina and said:

"It has been agreed by Mid-West Paper Sales, Clark Brothers, Hillier Paper Company and Barber-Ellis, that commencing Jan. 2nd, 1948 we will use the new discount date on our invoices. This to be 2% 20th F. F. M.

. . . "

(BEE 7-3)

It would seem that an agreement was reached at the meeting and that the minute was drawn in a form that, whilst not mentioning agreement, would record, for those familiar with the procedure, that a new regulation was to come into effect.

Hodder & Moffitt Schedule sheet No. 102, dated February 2, 1948 replaced a sheet of the same number dated January 23, 1941 (CBC 6-1). The 1948 sheet included the following:

" . . . "

TERMS OF
SETTLEMENT

Terms of settlement shall be net thirty days from 1st of month following date of invoice. Cash discount of two percent shall be allowed if payment is received not later than the 20th of the month following date of invoice, except direct mill shipments which shall be net thirty days from date of MERCHANT'S invoice, no cash discount.

. . . "

(HOW 16-7)

The only difference between the passage quoted and the regulation on the same subject in the 1941 sheet is that in the 1941 sheet the limiting date was to be the 25th of the month following the sale rather than the 20th.

On December 11, 1947 R. G. Lebeau, then general sales manager of Mid-West, wrote to Hodder & Moffitt, Winnipeg, and spoke of an error that had been made in the calculation of ex-warehouse prices on "machine-coated book" papers. His letter closed:

"We attach hereto statement showing how present day selling prices are arrived at. You will note that this means a reduction in our selling price of $\frac{1}{2}\%$ per pound for Manitoba and Saskatchewan, and $\frac{1}{2}\%$ per pound for Alberta. We believe that correction should be made and we should adopt these new selling prices immediately.

Under the old schedule it was understood that the 90M substance would automatically sell at 50¢ per hundredweight over the 100M substance which after all is only an arbitrary ruling. Therefore we have figured out the proper selling prices on 90M substance should be as well.

At the next meeting we propose to have these new selling prices adopted will you please put in your file to bring up at the next meeting."

(MID 51-1)

Minutes for the meeting held in Winnipeg on December 16, 1947 include the following:

" . . .

MACHINE COATED Ex Warehouse sheet to have 90 M added.
BOOK

. . ."

(HOW 13-9)

A Hodder & Moffitt Schedule sheet, including prices for this paper, was issued under the date of December 17. It will be seen from the following table that price reductions were made in both 100M and 90M weights of this paper.

Table XII

Prairie Ex-Warehouse Selling Prices for Machine Coated Paper
October - December
1947

	Sheet #432	October 11, 1947 Thriftcoat	Manitoba		Saskatchewan		Alberta	
			Full Pkge.	Broken Pkge.	Full Pkge.	Broken Pkge.	Full Pkge.	Broken Pkge.
		100 M up	17.50	20.50	18.00	21.00	18.50	21.50
Sheet #432	December 17, 1947 Thriftcoat	100 M up	17.25	20.25	17.75	20.75	18.00	21.00
			90 M	17.75	20.75	18.00	21.00	18.50

Sources: October 11, 1947, Hodder & Moffit Schedule sheet (BARK 22-56)
December 17, 1947, " " " " (BARK 22-55)

In March 1948 the mills increased their prices with Provincial leading on March 1. There is considerable evidence to show that the Prairie merchants met on March 12 and decided to put new ex-warehouse prices into effect on March 22. In part the delay was caused by their need to wait until the Hodder & Moffitt Schedule sheets had been prepared for use. There was another series of mill price increases in May and June 1948, the first of these being made by Rolland with effective date of May 20 and the last by Provincial on June 15. On June 2 K. W. Murphy wrote to G. Stott, manager of the Barber-Ellis outlet in Calgary:

"The writer was at a meeting at Hodder & Moffitt's office yesterday and Mr. Don Williamson of their Winnipeg office was there. He told me that he had the Prairie prices on paper ready and there would be a meeting in Winnipeg likely Friday of this week to confirm them. These will likely be made effective in Manitoba, Saskatchewan, and Alberta, Monday, June 7th. This date will be confirmed by Mr. Nelson when he sends you the new paper resale sheets."

(BEC 2-1)

On June 4 Mr. Nelson wrote to the Barber-Ellis offices in Calgary, Edmonton and Regina:

"We are enclosing about 90% of the new price sheets and these will be made effective by all paper companies on Monday, June 7th.

We know that you are still short on Coated Blotting, Gummed Papers, Shipping Tags, etc., but we will send them along as fast as we can. In the meantime we will continue to sell on the old prices.

. . ."

(BEC 1-1)

Whereas Provincial had been the first mill to raise its prices in March, it was the last mill to do so in the May-June movement. Apparently, this particular delay caused the Prairie merchants very little trouble as on June 17 R. G. Lebeau of Mid-West Paper, Winnipeg, wrote to his company's branches:

"We attach hereto Provincial Paper price list dated June 15th/48 covering new increased prices effective immediately.

These are your costs and are for our own internal use only.

The increased selling prices on these grades were sent

you some time ago through a Hodder & Moffitt sheet, that is, covering Book and Coated, so you have the new selling prices on practically all the lines. . . .

. . . "

(MIC 4-4)

Mr. Lebeau had already, on June 4, provided the branches with ex-warehouse and direct mill shipment prices and told them that they were in effect from June 7, 1948 (MIC 5-1).

From time to time during the remainder of 1948, and in 1949 for as long as documentary evidence is available, Hodder & Moffitt issued new schedule sheets showing changes in prices or prices for new lines added by the mills. During this period there was no general price change by the mills. The re-issue of one schedule sheet took place after Mr. Lebeau wrote to D. Williamson on November 12, 1948 and said:

"Attached hereto is new Provincial Paper price list dated October 15th which record you should have in your office for future reference.

We would point out that Provincial are now making several new grades of Book Paper and it will be necessary to include on your sheets the selling prices ex stock and ex Mill on the following (which do not appear at the present time).

Propaco
Thintext
York Multipurpcse E.F. and S.C.

In addition, we will be requiring ex stock and ex Mill prices on Offset Paper - white and colors, fancy finish."

(HOW 4-12E)

As he often did, Mr. Williamson referred the request to Ivan Moffitt:

"Here is copy of memo from Mid-West re certain sheets required to cover some new provincial lines.

We have Provincial's Price Sheet of date, 15th October.

Please disregard Mr. Lebeau's reference to ex stock and ex mill prices on Offset Paper since we believe these are covered by our sheets 332, 22/10/48 and 364(a), 15/10/48.

Could you sketch out a lead for us on which to figure out these other lines?"

(HOW 4-12D)

Mr. Lebeau sent Mid-West's branches Hodder & Moffitt Schedule sheet No. 335 on November 29, saying:

" . . .

This replaces former sheet and you will note that this sheet now includes prices on Multi-Purpose Book in both E.F. and S.C."

(MIR 1-11)

Stuart Clark of Clark Bros., Winnipeg, wrote to his firm's Edmonton branch on November 25, 1948 concerning a proposed purchase by the Alberta King's Printer:

"We are very much interested in the quotation you are making to Schnitka for 30M lbs. of Rolland's Duplicating Azure, $8\frac{1}{2} \times 11$.

George Brain (Rolland's Winnipeg representative) is writing you today in connection with delivery and I explained to him that it must be delivered between Jan. 15th and March 15th, preferably to be completed by Feb. 1st.

You mentioned a price \$16.40.

On the last Hodder & Moffitt price sheet dated October 15th, #264, Rollands Duplicating, All clear duplicator, #2 Mimeograph, cut sizes $8\frac{1}{2} \times 11$, etc., price for white in ten ton lots is \$14.65, delivered Edmonton, to this you would add \$1.00 for Azure, which is the up charge in lots from 5 to 18 tons. You might mention in your quotation that if they increase their order to 36M lbs. the up charge on 18 tons and over for Azure is .75¢, which is a saving of 25¢.

This stock is put up in protected bundles and there is no such thing as unprotected bundles on this stock, Rollands will not put it up that way.

The only saving Schnitka could make is to have this put up in skids which would show a saving of 15¢ cwt.

There is no such thing as having this stock untrimmed.

We presume and hope that you will be sitting in with the other Paper Merchants, and if all things are equal there is no reason why you shouldn't get the business . . ."

(CBE 1-3)

It was apparently about this business that Mr. Webber, Smith, Davidson & Wright manager in Edmonton, wrote to his company's president on December

20, 1948:

"Replying to your letter of December 17th I am sorry to inform you that Barber Ellis obtained the order for Rollands Azure Duplicating Paper size 8 $\frac{1}{2}$ x11.

However, the writer knows that as far as Clark Bros. and ourselves were concerned our bids were identical, however, we do not know if Barber Ellis cut the prices."

(SDE 1-1)

Information on just what Barber-Ellis did in this case was not obtained. However, when the Edmonton manager for Barber-Ellis wrote to K. W. Murphy, then the sales director of Barber-Ellis on November 8, 1948 concerning a tender to be in by November 26 to the Edmonton School Board, Mr. Murphy replied:

"The writer has your letter of November 8th, also a copy of the Edmonton Public School Board Tender.

In the first place, it is pretty difficult for me to tell you how to handle your quotation on mimeograph and bond paper. I realize that a retail druggist took most of this business last year but you will remember when we discussed it you thought you might get in bad with some of your good printer customers if you sold the School Board at lower prices than you would them. You are on the territory and you will have to decide whether you can do this or not.

My personal opinion is that the paper houses should get together in Edmonton on this tender and quote prices that you think will secure the business. I think if you all do this separately it will only widen the breach between all houses, but if you get together and decide what to quote, then you will just have to take a chance on getting all or part. Possibly there won't be enough money in it to make it interesting to go after this business, but I still think you should get together and decide this.

.. ."

(BET 18-1)

The Hodder & Moffitt Schedule for the Prairies was amended from time to time during 1949. Thus, when in February Howard Smith re-introduced Statesman Script, a letterhead paper, Ivan Moffitt so advised D. Williamson and at the same time gave him some resale price information. Hodder & Moffitt Schedule sheets covering both ex-warehouse and direct mill shipment

prices for this paper for the Prairies were issued under date of February 25 (MIR 1-2).

(e) Pricing Practices in British Columbia Section, C.P.T.A.

From early 1935 on there were four members in the British Columbia Section of the C.P.T.A. Three of the four, Barber-Ellis of Vancouver, Columbia Paper and Smith, Davidson & Wright, were still members of the C.P.T.A. in 1950. The fourth company, Coast Paper Company Limited, got into financial difficulties in 1941 and was succeeded by Coast Paper Limited, which was still doing business in 1950 as a fine paper merchant and was a member of the C.P.T.A.

There was little available record during the investigation of the joint activities of the British Columbia merchants prior to the formation of the Paper Distributors Council of B.C. (P.D.C.) in January 1935. Shortly after the organization meeting of this group which was held on January 7, 1935 the four fine paper merchants then located in Vancouver applied for membership in it in the following terms:

"We (I) hereby make application for membership in the Paper Distributors Council of B.C. and agree to abide by the Rules and Regulations governing same and as approved by the Council."

(PDC 102-2)

The applications were accepted and from then on the fine paper merchants formed the Fine Paper Division of the P.D.C.

In addition to fine paper merchants the P.D.C. had in its membership distributors of coarse papers who formed a Coarse Paper Division. It was the practice of the Paper Distributors Council of B.C. to meet at least once a month except in summer periods when there was customarily a longer interval between meetings. When the P.D.C. meetings had disposed of the business of interest to both fine paper merchants and coarse paper distributors they adjourned and if there was any business to be done each of the two divisions had a meeting of its own. John Cowan, whose appointment as secretary to the P.D.C. dated from January 1, 1935, kept detailed records of the proceedings at the P.D.C. and Coarse Paper Division meetings which he regularly attended. Ordinarily minutes were not kept for meetings of the Fine Paper Division although in a few instances Mr. Cowan did attend and make a record of the proceedings.

At the meeting of January 7, 1935 the P.D.C. adopted "Rules and Regulations". These "Rules and Regulations" which were often referred to in later years as the "By-Laws" have many similarities to those of the then recently founded Ontario Fine Paper Council. They were amended slightly several times during the years 1935 to 1949 but the amendments were not of such a character as to change their substance in any important

respect. The records of the P.D.C. show that at least once each year consideration was given to the "Rules and Regulations" to see whether the members thought they needed amendment..

One of the sections of the "Rules and Regulations" was as follows:

" . . .

ADHERENCE TO
REGULATIONS

That, notwithstanding any arrangement to the contrary or any deviations from this principle that may have taken place, each member agrees to not directly or indirectly make any proposal or bargain nor do any act that would influence any sale or sale contrary to the accepted regulations, trade customs and schedules.

Members must definitely agree to abide by established prices and terms of sale and, in the event of any member having a reasonable doubt of any other member not conforming to same, he will place the facts before the Secretary in writing.

The Secretary will communicate with the alleged offending member and make the necessary investigation to establish the facts. The result of the investigation will be given to the member who made the complaint and, in the event of the member who made the enquiry not being satisfied with the explanation, then the whole matter will come before a meeting of the members of the section affected, of which due notice shall have been given all members.

" . . ."

(PDC 59-237)

The full text of the Rules and Regulations of the Paper Distributors Council of B.C., as amended to February 5, 1935, will be found as Appendix VI to this report. Subsequent amendments do not change it in material respects.

The Fine Paper Division of the P.D.C. operated in British Columbia as the B.C. Section of the C.P.T.A. Because the British Columbia merchants paid dues to the P.D.C., the fees charged to its British Columbia members by the C.P.T.A. were not as high as they were in other territories where Hodder & Moffitt looked after the local secretarial duties as well as those pertaining to the national organization.

The group arrangements in effect between the fine paper merchants of British Columbia were different in some important respects from those on

the Prairies and in eastern Canada. For one thing the British Columbia merchants did not use a pricing manual. They did, however, have a mark-up schedule in which the basic percentages of mark-up were occasionally changed. The procedure, when a price change was indicated, was that one or more of the members would calculate the new prices, using the formula established in the mark-up schedule, and after the calculations had been completed the four members would meet and compare their new prices. Any differences would be checked and the required corrections would be made before their amended printer's price lists were issued. F. L. Arthurs of Barber-Ellis, Vancouver, gave evidence about meetings which were concerned with price list changes:

- "Q. Would you work from your old price list and just make the corrections on the old price list?
- A. Yes, preparing copy for the printer, in other words. Then, hold meetings with the other houses and compare extensions.
- Q. Was that the purpose of the meeting, to see if you had made any clerical or mathematical errors?
- A. That is right, sir.
- Q. You would go down each particular sheet?
- A. That is right.
- Q. And if you discovered they were not the same you would then find out which one had made a mistake?
- A. Yes, sir.
- Q. So, by the end of the meetings you would have all the same prices for the extensions?
- A. For the lines which we carried."

(Evidence, p. 2815)

All that remained for the members to do after completing such a session was to decide when the new prices should become effective. Documentary evidence shows that these meetings continued to be held, when necessary, in the post-war period.

British Columbia merchants quoted ex-warehouse prices on a per 1000 sheet and a per lb. basis in their published price lists. Quantity discounts were allowed from the prices so listed and the minimum and maximum rates allowed are shown in the following table. Although a buyer, to get these discounts, was required to take delivery of the full order at one time, he was allowed certain assorting privileges which meant that the buyer could buy a variety of papers within the general classification, and still get the discount as long as they all added up to the minimum quantity required for such discount.

Minimum and Maximum Quantity Discounts Allowed
by B.C. Fine Paper Merchants
February 1949
(Ex-Warehouse Sales)

Type of Paper	Minimum Quantity Discount		Maximum Quantity Discount	
	Number of Sheets	%	Number of Sheets	%
Book Papers	5,000	5	25,000	15
Coated Papers	2,500	5	10,000	15
Cover Papers	2,500	5	10,000	15
Bond Papers	5,000	2½	50,000	15 (#7 bond only)
			25,000	10 (other bond papers)
Cardboards & Bristols	1,000	5	10,000	20
Blotting Paper	2,500	2½	10,000	10
Tag Manilla	2,500	2½	10,000	10

When there were changes in the British Columbia merchant's fine paper mark-up schedule they were confirmed by Mr. Cowan putting out new sheets No. 108 and 109 which were part of the limited price schedule that he published on direct instruction from the Fine Paper Division. A copy of this schedule put out under date of May 7, 1947 follows. For comparison purposes a column showing the percentages of basic mark-up as agreed on April 5, 1938 has been inserted:

May 7, 1947

BRITISH COLUMBIA

MARK-UP SCHEDULE

PRINTER'S PAPERS

COST BASIS	IMPORTED LINES	Mill price, exclusive of cash discount Plus - freight, duty and all charges Plus - 25¢ in-house handling
	CANADIAN LINES	Mill price less loyalty discount if applicable. Plus 25¢ in-house handling Plus freight at \$1.35 per cwt. if price not "delivered". Plus differentials for trimming, casing or wrapping.
MARK-UPS		To laid down costs on above basis the following rates of mark-up are to be added to arrive at resale prices.
ADJUSTMENT		Resale prices to be adjusted to nearest 25¢ per cwt. or nearest 10¢ per 100 or per 1000 sheets in the case of the broken package price. Full pack-prices are not adjusted, excepting in Covers, Gum Paper, Lightweight Papers and Cardboards, which are adjusted to nearest 10¢.

<u>Grade</u>	<u>Full Pkg.</u>	<u>Broken (add)</u>	<u>April 5, 1938</u>
White Book Paper - S.C. & E.F. & Tariff	55%	3¢ lb.	50%
Book Paper-Colored	60%	3¢ lb.	55%
Offset - White - Plain Finish	55%	3¢ lb.	50%
Offset - Colored - Plain Finish	60%	3¢ lb.	55%
Offset - White & Colored - Fancy Finish	60%	3¢ lb.	60%
Eggshell - White & Colored	60%	3¢ lb.	
Deckle Edge - Text Papers	60%	5¢ lb.	
Text Papers			
Coated - White; Coated - Litho	55%	5¢ lb.	70%
Coated - Colored & Dullcoat	60%	5¢ lb.	60%
Covers	65%	25%	65%
Coated Covers	55%	25%	
No. 7 Bond White & Colors	50%	5¢ lb.	50%
All other bonds	55%	5¢ lb.	
Other Bonds - White Colored			50%
No. 5 Ledgers	55%	5¢ lb.	55%
All other Ledgers	60%	5¢ lb.	60%
Mimeograph - White Colored	50%	5¢ lb.	55%
Manilla Writing	50%	5¢ lb.	60%
White Wove Writing	55%	5¢ lb.	50%
Lightweights, Onionskins	60%	25%	65%
Blanks & Bristols	65%	25%	65%
Tag Boards	50%	3¢ lb.	
Blottings - White Light colors	60%	5¢ lb.	60%
Dark colors	60%	5¢ lb.	65%
Gummed Papers - White	65%	25%	70%
Gummed Papers - Colored	75%	25%	75%
Safety Cheque	60%	25%	75%
Cut Cards, Ruled Goods, Shipping Tags	65%	-	60%
Boxes	50%	25%	

(PDC 4-142)

It will be seen that where the mark-up rate was 50 per cent and a quantity discount of 15 per cent was allowed, the percentage of gross profit was 27 $\frac{1}{2}$ per cent on a cost figure which included freight. Allowance of a 2 per cent cash discount would reduce this to 24.95 per cent.

The British Columbia merchants resisted the introduction into that Province of delivered pricing systems under which direct mill shipments would be made at the same price whether the order was placed through a merchant or directly with the mill without merchant participation. Such a system would involve better prices for customers buying in mill quantities than were presently in force, but less profit for the merchants.

When at the start of 1940 delivered prices on book papers in direct mill shipment quantities were being quoted in eastern Canada and the Prairies by both mill and fine paper merchant, the British Columbia merchants retained a different system under which they would quote "import prices", which will be described later. It seems that their ability to operate on a somewhat independent basis was founded on the following facts. The mills, with the exception of Eddy, did not have resident representatives in Vancouver and consequently had few direct mill customers. There was not, therefore, much occasion for trouble by reason of one printer buying cheaper from a mill than another could buy through a merchant. Again, the shipping of less than carload lots direct to fine paper consumers was relatively expensive, particularly as the mills, with the exception of Eddy, had no organization to look after the orders when they got to Vancouver. The apparent result was that in practice such shipments were not made. As the number of customers that could buy in carload lots was limited, the stand taken by the British Columbia fine paper merchants was very effective. Barber-Ellis, Columbia Paper, Smith, Davidson & Wright and Tees & Persse (Eddy's agent) had railroad car sidings from which direct mill shipments on the price delivered basis, if included in their cars, might have been handled. Having taken a stand against delivered prices, however, it was obvious that they would not permit their stand to be defeated by permitting the mills to make enclosures of papers ordered direct from the mills, and enclosures were accordingly refused except for each other and a few non-competitive buyers such as Pioneer Envelopes Limited. The position the merchants had gained and which they held was clearly described in a letter written on June 30, 1942 by G. A. Davidson, sales manager of Howard Smith to J. R. Nixon, the company's Winnipeg representative:

" . . .

In regard to B. C. regardless of the Book bracket being F.O.B. Mill, carlot rate of freight and cartage allowed, the merchants there have never accepted resales in the various categories as set forth in book grades, as you will have observed from their price lists.

Through the Merchants Association of Vancouver, they established through Ivan Moffitt, their Secretary in Toronto, very definite instructions in regard to enclosures in merchant's cars. We cannot, without their consent, accept enclosures for others than the following

Barber Ellis of Vancouver Limited
Columbia Paper Company
Smith, Davidson & Wright Limited
Pioneer Envelopes Limited
Coast Paper Company
Grant & Sons
Bulman Bros. B. C. Lithographing & Printing
F. C. Smith Litho

Bear in mind that we do not prepay freight and on such grades of paper as are F.O.B. Mill carlot freight and cartage allowed, which is included in miscellaneous cars, they receive credit note on the amount of freight paid on these items, but they discharge freight charges.

We do not control the cars. If we pooled our cars and made shipment to our order, it would be somewhat different. You must realize that practically all of these Vancouver customers are on their own track siding, so that it would be futile to consign cars to our order and then pay cartage. We even have to receive their sanction to accept enclosures from other mills to be included in our cars for merchant's account and unless you have authority for the enclosure in car consigned to any merchant, not in the group above mentioned, I would suggest you obtain permission for the enclosure to be made."

(HSW 25-18)

In these circumstances, the merchants were able to operate pricing systems that were different from those being used by mill or merchant in other territories. As far as bond papers are concerned, this difference continued up to the time of this investigation, with the merchants generally pricing such papers, as above indicated, at a mark-up of not less than 50 per cent, a maximum quantity discount of 15 per cent and a cash discount of 2 per cent.

In respect of book papers, the course of events was somewhat different. For some years the merchants, continued to employ a general system, already referred to, under which book and coated papers could be bought on an "import" order basis. The word "import" in this context applied to papers of Canadian manufacture which were ordered specifically from the mill to meet the order of a customer in British Columbia who had, of course, to wait for such paper to come forward from the mill. In pricing such shipments to their customers, the merchants used, not the delivered pricing system in effect elsewhere, but their own price formula which was based on an f.o.b. mill cost plus freight and handling charges, to which a mark-up peculiar to the British Columbia organization was added, to arrive at a price to the customer less favourable than the delivered prices offered by the mills. A memorandum under date of July 23, 1940 set out the method to be used in calculating such import prices. It showed that import prices on white, No. 1, E.F. book paper were to be calculated as follows:

	1 Ton to 4999 lbs.	5000 lbs. to 9999 lbs.	5 Tons to 35,999 lbs. Min. Item 5000 lbs.	18 Tons and Up Min. Item 10,000 lbs.
Mill List	8.20	7.80	7.35	7.05
Freight Delivered	.75	.75	.75	.75
	8.95	8.55	8.10	7.80
Less Mill Quantity Disc. 9%	.80 4%	.34 2%	.16 0%	.0
	8.15	8.21	7.94	7.80
Less Loyalty 5%	.40	.41	.39	.39
	7.75	7.80	7.55	7.41
Plus Crates & Handling	.40	.40	.40	.40
Vancouver Cost for Figuring Prices	8.15	8.20	7.95	7.81
Profit	25% 2.04	20% 1.64	15% 1.20	10% .78
	10.19	9.84	9.15	8.59
Make Price Del. Vancouver	10.20	9.85	9.15	8.60

If on SKIDS deduct .25¢ per Cwt.

... ."

(PDC 51-30)

In central Canada at the same time the price to a printer on white No. 1 E.F. book paper packed on skids was, for the quantities shown, as follows:

1 Ton to 4999 lbs.	5000 lbs. to 9999 lbs.	5 Tons to 35,999 lbs.	18 Tons and up
\$8.20	\$7.80	\$7.35	\$7.05

Ivan Moffitt, in a letter written on November 18, 1946 to T. Havill, who was then the chairman of the C.P.T.A.'s Mills Relation Committee, said:

"The present situation at the Coast is entirely of the Merchants' own making. When the Mills some years ago instituted delivered prices to the Merchants in the East, the same proposal was extended in the Prairies and British Columbia. The basis was an upcharge over Eastern prices of 75¢ for Winnipeg and Vancouver, \$1.00 for Regina and Saskatoon and \$1.25 for Calgary and Edmonton; such prices to apply delivered at destination.

The Merchants in the Prairies, after some hesitation, fell in line with the proposal. The B.C. Merchants held out and continue at their own request to buy on the f. o. b. Mill basis. The reason for this, according to their claim, is to control the orders included in cars as shipped to them from the Mills. There are perhaps half-a-dozen accounts buying some or all of their paper direct from the various Mills. These include two or three lithographers, a couple of publishers and Clark & Stewart Limited, a combined lithographer, printer and stationer.

As much as I can make out, by holding to the f.o.b. Mill basis the laid down cost of paper at the Coast is more than if the Mills' offer of delivered prices had been adopted. The further point comes into it that the Mill proposal was for prices delivered at destination, which would include cartage or distribution costs. As it is now, all direct Mill shipment orders sold by the Merchant are consigned to the Merchant in order to maintain the principle of controlling the orders going into a car, and the Merchant then is stuck with the distribution cost.

...."

(TH 4-36)

The 1947 annual meeting of the C.P.T.A. was held in Vancouver in May and was attended by representatives of the mills. On May 15 W. H. Aird of Howard Smith wrote to A. E. Smith of the same company and said:

....

Effective June 1st the book paper structure comes into force in B.C. Page 4-00M of price book will be changed to read 'Note re Prairie and B.C. prices'. Page 4-10 will be changed to read exactly the same as Winnipeg prices. The same remarks apply to litho price sheets, special book and offset.

Provincial's price sheets will read differently but amount to the same thing. They show for Western prices 'Upcharges over Eastern prices for freight

	<u>MERCHANTS</u>	<u>DIRECT ACS.</u>
Winnipeg	.75¢	1.00
Regina & Saskatoon	1.00	1.25
Calgary & Edmonton	1.25	1.50
Vancouver	.75	1.00

Will you please see that new price sheets are issued and mill invoicing changed on shipments June 1st onwards.

...."

(HS 108-1B)

H. E. Miller of Columbia Paper who was chairman of the Fine Paper Division of the P.D.C. at the time, a position which in Mr. Moffitt's words "carries with it the job of chairman of the B.C. Section of C.P.T.A. and as such a member of the Executive Committee" of the C.P.T.A. (TH 4-34) gave evidence on the change of practice involved:

"Q. I show you a letter code number CCL 8-3, dated May 31, 1947, serial #22018. Can you identify that as a copy of a letter written by you?

MR. MONTGOMERY: Did you write that?

THE WITNESS: Yes, sir, I recognize that.

BY MR. GODFREY:

Q. You say to Mr. Ramsay of Alliance:

"We have instituted your list for shipments on and after June 1, and much as we hate to do this as it certainly cuts our profit tremendously. Whether we are going to be able to stand it or not a few months will tell.'

How was it that this structure came in when you say here that you hated to do it?

A. That was the new book mill arrangement which included coated stock.

EXHIBIT No. 476 - Letter dated May 31, 1947,
code CCL 8-3, serial #22018.

BY MR. GODFREY:

Q. Was your company opposed to instituting that?

A. We were for years. Our president was for years.

Q. Were the other merchants in favour of it?

A. I could not say.

Q. How did it come about that it was instituted over your opposition?

A. It was instituted after I took over the business.

Q. You were still opposed to it. How did it come about it was instituted in spite of your opposition?

A. We just had to give in to the mills, I guess.

Q. You had a meeting out here on the subject, didn't you, during the annual convention that year?

A. Possibly it was discussed then.

Q. And you recall at that time, although you did not like it, you agreed to having it adopted?

A. I definitely told them I did not like it.

Q. In spite of that, did you agree finally to have it?

A. Yes.

Q. Why did you so agree, to have it brought in?

A. I guess I could answer that by saying we just thought the thing over, possibly, and thought it was the best thing to do."

(Evidence, pp. 3112, 3)

Ivan Moffitt was speaking of the introduction into British Columbia of delivered prices on book papers for direct mill shipment quantities when, in a letter addressed to T. Havill on October 30, 1947, he said:

" . . .

. . . the mills simply told them these lines would be put on a delivered basis. The effect of this is that the price to Merchants and the resale price of direct mill shipments of Book Papers is the same at Vancouver as at Winnipeg.

. . ."

(TH 4-11C)

The adoption of delivered prices in British Columbia for sales of book papers brought the prices on direct mill shipment quantities into line with those prevailing in Winnipeg. In so far as customers who had previously bought in these quantities through the merchants were concerned, the result was a reduction in prices mostly or entirely at the expense of the merchants. In so far as the few direct mill accounts in the territory were concerned, there was a price increase of 25¢ per cwt. on some lines due to an increase of this amount in the mills' direct shipment price in order to make the merchants' margins on such shipments the same as on the Prairies.

The British Columbia merchants gave consideration to proposals being made in early 1947 for the introduction of delivered prices on bond, ledger and writing papers. The circumstances surrounding the introduction of this bracket structure on the Prairies and in eastern Canada in October 1947 have already been described in this report. H. E. Miller wrote to Mr. Moffitt on April 29, 1947 on the matter:

" . . .

As I suggested to you when in Montreal we are definitely not prepared to accept imports on one ton lots of Sulphite Bonds. This does seem ridiculous as the quantity is small and would interfere tremendously with our out-of-stock orders. . . .

. . . I would say at least 50% of our No. 7 Bond today is sold in ton lots 'out-of-stock' on which we allow 15% discount and 2% cash discount which makes a net delivered price of \$13.33 per 100 lbs. and allows us a 25% mark-up. . . .

. . . we do not propose to allow our margin of profit to be tampered with any more than possible. . . .

. . ."

(CCL 9-1)

The British Columbia merchants did not adopt the new selling structure in October. Mr. Miller reported their attitude in a letter dated October 23, 1947 to Mr. Moffitt.

" . . . We unanimously turned down the proposition for as far as British Columbia is concerned it is impossible for us to work on such a ridiculous small margin.

. . .

For your information, Ivan, at the present time one ton of No. 7 Bond out of stock, allowing our 15%, gives us 27½% on our sale which is little enough at the cost of doing business to-day and we cannot see why we should sell one ton of No. 7 Bond out of a car on a profit of 13.4% on our sale. . . .

. . . I have been asked by our Association members here to convey to you that they are in entire unison with my statements."

(HOT 2-16B)

A letter written on November 13, 1947 by W. M. Marshall of Coast Paper to K. F. Davey of Collison Paper Co. Ltd., Victoria, which

sold fine papers that it got from Coast Paper, included the following:

" . . .

In the first place Ken, nothing has been done locally to publicize the new set up on imports, in spite of the fact that a meeting was held yesterday in an effort to clean up details still unsolved. The houses have agreed not to use any of the lists, with the exception of the Book Paper schedule, which is O.K. The Council is standing pat on the Bond, Ledger and Writing paper set up and as yet, have not accepted it. My suggestion is that you keep this list to yourself along with the attached sheet covering conditions of sale. I shall let you know as quickly as possible when you may discuss imports with your customers.

. . .

In talking to Vernon Stott [Barber-Ellis] this morning, we understand it will be probably 30 days before the new stock Price Lists are ready, as the famous 'Council' are still arguing about matters pertaining to this printing.

I trust the above will be of some use to you. Please remember that the only list you can use is the one covering Book Paper until further notice."

(COA 12-1)

Up to the time of the commencement of this investigation the British Columbia merchants had not adopted the bracket structure on bond, ledger and writing papers. One apparent result of this decision was that the merchants' customers who wanted to buy bond, ledger or writing papers in direct mill shipment quantities had to pay a higher price for them than they would have, had the system been put into effect. Whereas in Vancouver and Winnipeg the buyer of book papers in larger quantities got them at the same price, the situation on bond papers was different. Thus in Vancouver in early 1949 the buyer of 1 ton of No. 7 bond would pay the merchant \$21.00 per cwt. less discounts of 15 per cent and 2 per cent or a net price of \$17.50 per cwt. and the buyer of the same quantity in Winnipeg would pay \$15.20 per cwt.

It seems that in spite of the fact that British Columbia prices were at a differential over eastern prices, which for some lines, was not accounted for in whole by the freight to British Columbia, little paper was sold in Vancouver in the post-war years by eastern merchants. In pre-war years the problem of competition from Central Section merchants quoting their regular prices f.o.b. their warehouse was one which caused the British Columbia merchants, and the Prairie merchants too, considerable concern. During the war years and for some time thereafter, the general situation of short supply kept any such problem from arising. The system of delivered prices adopted on book papers, as described, in 1947 tended to a more permanent alleviation. The freight cost incorporated by the mills was something

less than the actual freight cost and the mills when quoting delivered prices, would not accept orders for paper from a merchant with his warehouse in one territory for delivery in another. Such a merchant would be able to sell in another territory but he would have to take delivery of the paper, at the delivered price for his territory, at his own warehouse and then assume the full costs of shipping and handling as they might arise. Thus the tendency of delivered prices was to lessen the possibility of competition between merchants in different territories. The merchants sought also, however, to eliminate such competition by arrangement.

Documents in evidence show that in pre-war years the British Columbia and Prairie merchants made common cause within the C.P.T.A. in an effort to have all members undertake to observe the prices and conditions of sale prevailing in their particular sections of the C.P.T.A. The following quotation is from a tentative agenda for the C.P.T.A.'s annual meeting in 1936:

" . . . "

With respect to territorial zones as presented in the resolution of the British Columbia Section, consideration of which was deferred from the previous General Meeting:

Recognising that the costs of doing business are necessarily due to location, higher in some sections than others, it is mutually agreed and subscribed to, that all members of this Association shall observe the selling structure of members located in other sections.

Price lists and discounts adopted in each section shall be filed with the Secretary in Toronto and members sending representatives or doing business in sections other than the one in which they are located shall obtain particulars from the Secretary and protect the members located in said other sections.

" . . . "

(BARK 27-156)

Minutes of a P. D. C. meeting held on June 2, 1936 show that the British Columbia fine paper merchants had been represented at the C. P. T. A. annual meeting:

" . . . "

Mr. C. J. Kay's Report - By way of introduction,
Mr. Kay intimated that

the recent meeting was one of the most harmonious and successful annual meetings ever held. As a result of the contacts made and information gleaned, it would appear that the British Columbia Division should be congratulated on the happy conditions which exist here, these being particularly marked on making comparison with the situation elsewhere, especially in the Middle West.

He then referred to the tendency which existed in the past to encroach on the Western territory, meaning the disposition towards increased efforts by Eastern concerns to gain a greater proportion of the business offering in the Western areas, notably and particularly the Prairie Provinces. Last year action was taken by the Western Divisions to zone the territory and thereby obtain recognition of the prices set for and by the local Members in each Section. Unfortunately, due to a lack of proper representation, the resolution framed then was held over until the recent meeting. Some Committee meetings were held between the Western representatives and Eastern merchants more particularly interested, and as a result an amendment sponsored by the former was presented to the general meeting and unanimously carried, as follows:

'Recognizing that the costs of doing business are necessarily, due to location, higher in some territories than in others, the Secretary is requested to obtain all possible data relative to the zone system of establishing resale prices and collaborate with the Section Chairman relative to same, with a view to consideration being given to this matter at the next general meeting of the Association.'

In the interval, it is agreed that a schedule mutually accepted shall be maintained by Eastern merchants on all quotations and sales made to purchasers in the Western Provinces.'

The foregoing, Mr. Kay pointed out, meant more to the Prairie Provinces than to British Columbia, as the former do not enjoy the same happy conditions as obtain here.

. . ."

(PDC 59-181)

The matter was again dealt with in 1937. The minutes of a Prairie Section meeting held on March 18, 1937 include references to a report made by Gilbert Garnett, then of Mid-West Paper, on the recent C.P.T.A. annual meeting. The following is included in them:

" . . .
Re Eastern merchants selling in the West

At a meeting of those directly interested held in the City of Toronto including Barber-Ellis, Buntin Gillies, Brown Brothers and W. J. Gage, the agreement adopted at the previous annual meeting in May last year was extended for another year by unanimous vote.

" . . .
(MID 3-63)

The problem of working out satisfactory arrangements between certain eastern and western merchants again came up in 1939. On February 16, 1939 L. D. Graham of Barber-Ellis, Vancouver, sent a long letter to John Cowan, P.D.G. secretary, in which he said:

"I regret that, after having attended meetings in Montreal and Toronto with reference to our Fine Paper business in British Columbia, I can not give you a very optimistic report. I had the assistance of Mr. Hunt and Mr. Garnet of the Mid-West Paper Company in endeavouring to have Eastern merchants respect our schedule of prices as agreed upon by the Western Division. Certain of the members, however, feel that they should have only one price for their merchandise and this price should be the same F.O.B. Toronto that it would be if the goods were shipped to British Columbia, Manitoba or Halifax. The fact remains, however, that those firms who have been suggesting this one price have not been living up to this because they have been respecting a set-up in the Provinces of Quebec and the Maritimes that is different to their West of Kingston prices in Ontario.

" . . . At this meeting (Toronto, February 1), as at the one in Montreal, we found that Brown Brothers and Buntin Gillies had more or less made up their minds that they were going to sell in Western Canada at their Eastern prices and that all of their goods would be sold F.O.B. the East. The argument put forward by the Mid-West representatives and ourselves was that all they would do would be to force us in the West to reduce prices. Even with this, nothing definite could be arrived at and, as I left Toronto the night of February 1, you will see that we were not able to accomplish very much.

" . . .
If these two firms in the East are insisting on selling at their F.O.B. Toronto prices, there is nothing left for us to do here except to put in import prices, which will be con-

siderably lower than the prices we have today, to compete with them."

(PDC 52-1C)

Apparently negotiations continued and a proposal was put forward that the eastern merchants would only quote their lower prices to a selected group of western paper buyers. This did not meet with the approval of the British Columbia group. On March 8, 1939 C. J. Kay of Columbia Paper sent the following telegram to E. H. Ellis of Barber-Ellis:

"YOUR LETTER SIXTH TO LORNE DISCUSSED MEETING ALL MERCHANTS TODAY SURELY NO JUSTIFICATION FOR SETTING UP SPECIAL ACCOUNTS IN WESTERN CANADA AS MENTIONED STOP WE MUST STRONGLY OBJECT TO ANY SUCH SUGGESTION AS SAME WOULD MEAN ENTIRE DISRUPTION OUR PRICE STRUCTURE ESTABLISHED OVER LONG YEARS STOP WE WOULD NATURALLY BE FORCED TO MEET SITUATION CREATED BY EASTERN MERCHANTS SELLING BELOW OUR STRUCTURE WITH RESULT EASTERN MERCHANTS WOULD NOT GET EXTRA BUSINESS AND WE WOULD BE THE LOSERS STOP WE STRONGLY FEEL OUR EASTERN FRIENDS SHOULD DO NOTHING TO DISRUPT SITUATION HERE IN BEST INTEREST TRADE AS A WHOLE."

(SDW 19-19)

On May 3, 1939 Ivan Moffitt who had been engaged in discussions on the matter wrote to John Cowan. Mr. Moffitt indicated a special price list had been drafted by Hodder & Moffitt for use by eastern merchants when selling in the west. His letter also said:

" . . . "

We have now made up a comparison of these prices as suggested with the local prices as taken from the Prairie and British Columbia resale schedules. You will note that the differential as between the suggested f.o.b. price plus necessary freight is minimized considerably in the larger quantity brackets. It seems to us that it is most unlikely a buyer in the west would order in small quantities from an eastern house but that such orders would be in the 10M sheet bracket or up. If this is the case, then the apparently large differential in the full package price is of no consequence.

We would like to have the comments of the members of your Section in regard to this suggested schedule before going to the third eastern house that has not yet agreed to the adoption and maintenance of a special price list for use in the western provinces. We feel it would be unwise to go to him with some suggested figures if there is a possibility of them not being confirmed by the members in the territories affected.

" . . . "

(PDC 33-3H)

On June 21 Mr. Cowan replied to Mr. Moffitt's letter:

"Members of the B.C. Division have given careful consideration to your letter of May 3rd relative to East-West Zoning and I am instructed to reply as follows:

Inasmuch as the Ontario and Quebec merchants respect their own different set-ups, members are of opinion that similar consideration should be given to price arrangements in other Divisions.

They consider a very important principle is involved, one in fact vital to the harmonious working of our Association as a whole. They therefore strongly urge that no step be taken which would be harmful to any one or all Divisions.

The set-up in each Division has been arrived at after long years of study and effort and based on local conditions. It is only reasonable therefore to ask that all members of the Canadian Paper Trade Associations respect the various set-ups of all Divisions.

Also to prevent complications the members urge that price lists printed for one Division shall not be circulated in other Divisions to which they are not applicable.

" . . . "

(PDC 33-3)

A report made by the chairman of the British Columbia Section at the C.P.T.A.'s annual meeting in January 1942 shows that any problem that had existed had been solved:

" . . . "

We appreciate the co-operation we have received from members of the Eastern Section in respecting our prices established in British Columbia and we feel confident that this will continue.

" . . . "

(FME 13-93)

A similar comment was included in the Prairie Section report:

" . . . "

I would like to extend our appreciation to the Eastern members in respecting our re-sale schedules on the Prairies. Their action in doing this has been a great help to all members.

" . . . "

(FME 13-93)

The following was proposed in 1941 as an amendment to the C.P.T.A. by-laws:

" . . . "

All schedules, rulings and regulations adopted by each Section for the territory coming under its jurisdiction shall be respected by members of other Sections when doing business in such territory.

" . . . "

(MCF 10-15C)

This amendment was put over and came up for further consideration at the twenty-fifth annual meeting of the C.P.T.A. in 1943. The record of that meeting shows:

" . . . "

It was agreed that as the proposed By-Law might in its application come into conflict with regulations of the Wartime Prices and Trade Board, it should not be voted upon even with the intention of having it stand as a record without being applied in the meantime. Representatives of Eastern and Western houses undertook to confer on the situation.

" . . . "

(HOT 28-4)

C.P.T.A. records that were available during this inquiry do not show that anything was ever done to revive interest in this proposal or to pass it as an amendment to the by-laws.

An incident occurred in 1941 in which the British Columbia merchants played a prominent part as C.P.T.A. members. At the C.P.T.A.'s annual meeting in January of that year the following motions were moved, seconded and carried:

" . . . "

1. That the terms of settlement be amended by substituting one per cent. to replace two per cent. as the rate of cash discount applicable thereunder;
2. That the terms of settlement as amended shall be made effective on March 1st, 1941, and shall apply to sales, subject to cash discount, made on and after the date named.

" . . . "

(KRV 5-26)

Two other trade groups were shown in the record of the proceedings to have been associated with the C.P.T.A. in this move which was designed to have the effect of an across the board price increase of 1 per cent. The British Columbia merchants are reported to have been in favour of the abolition of the cash discount rather than of its reduction.

After notices had been sent out to their customers by the paper merchants and apparently by the majority of the members of the other two trade groups telling them of the new discount rate, one fine paper merchant in Montreal had misgivings and despite efforts of Ivan Moffitt and others decided to send his customers a notice advising them that the 1 per cent rate would not go into effect. At a special general meeting of the C.P.T.A. on March 13, 1941, it was decided formally to delay the introduction of the 1 per cent rate "until the matter of terms of settlement is given further consideration at a Special General Meeting of the Association to be held within three months" (CPW 21-2). The British Columbia merchants were said on March 20 to be adhering to the new 1 per cent rate but on March 26, 1941 F. L. Arthurs of Barber-Ellis and then the chairman of the Fine Paper Division wrote to Mr. Cowan:

"At a meeting of the Fine Paper Division of the Council yesterday, it was unanimously decided to revert back to the former settlement terms of 2%, and this is to be retroactive to March 1, 1941.

I will appreciate if you will formally notify all members of the Fine Paper Section in British Columbia, and also Messrs. Hodder & Moffitt."

(PDC 34-9U)

It was as an outcome of the collapse of the agreement to change the rate of cash discount that the following decision was made at a special meeting of the C.P.T.A. held on June 5, 1941 as an amendment to the Association's by-laws and became Article XI:

"Article XI - DECISIONS"

Any resolution adopted at any annual or special general meeting of the Association by a vote of not less than seventy-five per cent. of the members present or represented by proxy thereat shall be binding upon all the members of the Association."

(MCF 10-15A)

Although the methods used by the British Columbia merchants in coming to agreement on prices and conditions of sale have been such that comparatively little record of their joint activities along these lines was created, there is sufficient documentary evidence to establish that they did formulate their policies and fix their prices throughout the years 1935 to 1949 in the ways already indicated. The following illustration of the effect of the organization of the P.D.C. is quoted from the minutes of a P.D.C. meeting held on March 5, 1935:

" . . .

" . . . the President (Fred Smith, Smith, Davidson & Wright) took the opportunity of reporting, on behalf of the Fine Paper Section, and paid tribute to the benefits accruing since the formation of the Paper Distributors Council of B.C. He felt that the members were entering wholeheartedly into the arrangement and manifesting a sincere desire to co-operate with each other for the betterment of the industry. It was also pleasing to note the gratifying reaction evidenced by customers who apparently were pleased to have measures of certainty in buying, as against the promiscuous prices that were in vogue previously.

. . . "

(PDC 59-229)

A circular letter sent to the Fine Paper Division members by the secretary of the P.D.C. on September 11, 1937 was concerned with special prices for the C.P.R. and C.N.R. It said:

"Please note the following prices on Printers Supplies to the above Transportation Companies:

10% from Printers Book on any quantity.

. . .

Cutting up to $8\frac{1}{2} \times 14$

10¢ per 1,000, finished size

. . . "

(PDC 51-40)

The rates of mark-up inserted under the date of April 1938 in the mark-up schedule quoted on page 275 were agreed upon at a Fine Paper Division meeting held in Vancouver on April 5, 1938. It was also recorded in the minutes that the members felt that "15% was the largest discount which should be allowed for quantity shipments out of stock". At the same meeting, rates of mark-up for use in the case of direct mill shipment sales otherwise known in British Columbia as "import" sales, were "confirmed" (PDC 63-31).

The effect of group pressure on one merchant is illustrated in the following letter written by F. Smith to G. H. Porritt, manager of Smith, Davidson & Wright's Calgary branch on May 16, 1938:

"I have your letter of May 13th together with copy of the minutes of meeting held with Mid-West and B. & E. May 9th, and note that you are considering allowing a 20% discount for orders of 3000 pounds, and this I observe would apply whether shipped from stock or import, and could cover both styles of delivery for the one order.

In connection with this matter of the 20% discount, would say that Mr. Graham (Barber-Ellis, Vancouver) has been urging this here in Vancouver but so far it has not been agreed to and it is not altogether sure that we will put it into effect, as some of the dealers here feel now that with the 15% discount it is about as far as we should go, as this only allows you a mark-up of 25% on cost assuming, of course, that your average mark-up is 50%.

. . ."

(SDC 2-8)

It has already been indicated that 15 per cent continued as the largest discount given on out of stock orders on all papers except cardboards and bristols.

It was the practice in British Columbia for the merchants or one of them to calculate selling prices "to apply on import" sales and to have Mr. Cowan publish these and circulate them to the members of the Fine Paper Division with copies also going to Hodder & Moffitt. This is illustrated by a letter written on January 13, 1940 by H. E. Miller of Columbia Paper to John Cowan:

"We enclose herewith sheets covering import prices on the following:

Book Papers,
Billing Papers,
Import prices - King's Printer.

Kindly issue revised sheets and mail to Fine Paper Division members only and Mr. Moffitt, Toronto.

. . ."

(PDC 30)

Enclosed with Mr. Miller's letter was a sheet showing "Import Prices" bearing the date of January 13, 1939. Overwritten on this sheet were new prices which involved price increases. The new prices reflected the rates of mark-up which had been "confirmed" on April 5, 1938 (PDC 30A).

Confirmation of a decision concerning charges for freight was given to the members of the P.D.C.'s Fine Paper Division in a circular letter sent to them on March 27, 1941 which said:

"This will confirm the arrangement reached at the meeting of the Fine Paper Section held on March 25th last when it was decided that freight on shipments to Vancouver Island points would be as follows:

Victoria - All prepaid

Duncan - Prepaid to Victoria

Nanaimo, Courtenay, Cumberland) Freight Allowance
Alberni and Port Alberni } of 16¢ per cwt.on
 } gross weight of
 } shipment to be
 } allowed, and shown
 } on the face of invoice

This covers items sold to Printers only.

Kindly be governed accordingly."

(COA 20-1)

Another decision, this one concerning delivery charges was made at about the same time. F. L. Arthurs wrote to Mr. Cowan about it on May 20, 1941:

"At a meeting of the Fine Paper Section of the B.C. Council it was decided that the Book Paper Import Prices be amended as follows; effective May 7, 1941:

On all shipments to Vancouver Island, North Vancouver, West Vancouver, and New Westminster, prices set out in the schedule will be subject to an up-charge of 25¢ per cwt., delivered.

On all shipments outside Vancouver to other points than those mentioned above, the paper will be sold F.O.B. Vancouver.

In Vancouver city, prices shown are delivered prices.

Will you please advise all members of the Fine Paper Section accordingly."

(FDC 52-6)

Insofar as the wartime price control regulations allowed, the British Columbia fine paper merchants continued during the control period to manage their group affairs as they previously had done. Thus, on April 16, 1943 Mr. Arthurs wrote to Mr. Cowan:

"At a meeting of the Fine Paper Group held this week, prices were established for Eddy's Guardian Index Bristol. It was decided to carry this in White and Buff only in 220 and 280. British Columbia prices will be as follows:

These prices will be subject to the regular Cardboard discounts.

Will you please advise members of the Fine Paper Group accordingly?"

(PDC 52-10)

Early in 1945 Fine Paper Division price schedule sheets were revised to January 1, 1945. The sheet bearing number 124 and dated January 1, 1945 showed the character of certain special discount arrangements then in effect:

"DISCOUNT ARRANGEMENTS

EX WAREHOUSE STOCK

KING'S PRINTER

List price less 10% any quantity
2% settlement discount to be deducted from face of invoice.

DEPARTMENT STORES

List less 10% any quantity.

BONDS, etc. (Special country
a/cs)

See Sheet No. 116

BONDS (No. 7 only)

Unpublished discounts for
50,000 sheets of No. 7 grade
assorted weights and colors -
15% from list price.
Please note that NO GRADES OTHER
THAN NO. 7 MAY BE INCLUDED TO MAKE
UP THIS DISCOUNT."

(HOT 29-1-116)

A decision affecting prices to be charged to customers in a period of shortages was reached at a meeting held on April 9, 1946. On April 9 F. Smith wrote to John Cowan and said:

" . . . "

It was agreed that as regards all grades of Book Paper, including Coated, that we could only accept orders for what we have available in stock, and the price will be governed by the quantity we are able to deliver.

This is brought about by the difficulty in getting Book Paper stock, hence the necessity of making this ruling, and I shall be glad if you will see that all the members of the Fine Papers Group are advised to this effect.

" . . . "

(SDW 20-9)

Mr. Smith, who was then chairman of the Fine Paper Division, wrote a letter, apparently in that capacity, on September 20, 1946

to Ivan Moffitt on the question of the proposed introduction of the bracket structure for pricing of direct mill shipment orders of bond, ledger and writing papers. The following is quoted from that letter:

" . . . "

At the present time our cut-of-stock schedules for #7 Bond, White, is as follows:

Base price - .14 $\frac{1}{4}$ per lb.

5 M sheets	-	Less 2 $\frac{1}{2}\%$
10 M "	-	" 5%
25 M "	-	" 10%
50 M "	-	" 15%

" . . . "

(CAO 23-1)

In a letter written to Ivan Moffitt on October 18, 1946 Mr. Cowan pointed out that complete price information was not included in the price sheets put out through his office:

"Following our former correspondence in connection with Fine Paper prices, I am forwarding under separate cover published price lists of the Fine Paper Distributors in Vancouver. These are being supplied for your additional information as the sheets furnished from this office do not cover all the lines handled by the Fine Paper Division."

(FDC 33-32)

After the changes in mill prices in January 1947, Mr. Cowan sent the Fine Paper Division members and Hodder & Moffitt "revised price lists" on February 18. They were dated February 10.

On April 2, 1947 H. E. Miller advised Mr. Cowan that the fine paper members at a recent meeting had decided the Coarse Paper Distributors could buy their fine paper requirements from them at 10 per cent discount "from full list price in any quantity" (CCL 10-33).

Prior to August 15, 1947 all controls on the selling prices of fine papers had been removed. On that day Mr. Arthurs wrote to K. W. Murphy of Barber-Ellis, Toronto, and said:

"We received your wire advising that 'Thriftcoat' would be available for sale on Monday, August 18. We had a meeting this morning and decided on our prices.

" . . . "

(BEV 4-6)

A letter written on November 10, 1947 by W. M. Marshall of Coast Paper to K. F. Davey of Collison Paper in Victoria indicates that agreement by the four Vancouver merchants was the rule before new price lists could be made up:

" . . . I understand the boys are having a special meeting this afternoon to clear up several misunderstandings in the schedule existing between the Mills.

. . .

The new out of stock price lists have also been held up until the above mentioned meeting has cleared up problems in this regard, but it is my hope to get moving very shortly and expect to have the Coast Paper list ready for the Printer at the earliest possible moment.

. . . "

(COA 12-2)

Mill price changes had recently been announced when Mr. Marshall wrote to Mr. Davey on March 10, 1948 and said:

"We are attaching some sheets covering your request of March 8, which include the mark-up schedule on Printer's Papers and also the special prices for the King's Printer.

At the moment the paper houses are having meetings almost daily, to get the copy ready for our complete new price list, and I might say that in some instances, the prices shown on our temporary list of March 8 will be revised slightly.

It is also possible that these revisions will affect the import prices for the King's Printer, and it would therefore be wise to suggest that the sheet No. FP-114 is also temporary, but will apply until the new books are issued.

. . . "

(COA 2-10)

When Mr. Davey raised the point that the cutting schedule used by Coast Paper had some differences when compared with "the others" Mr. Marshall replied in a letter dated April 26, 1948:

" . . .

Any differences appearing in the cutting schedule are mistakes on the part of the other suppliers. Our list is the same as Columbia's, and on checking I find that this is in order.

. . . "

(COA 2-6)

Further mill price changes were made in May and June of 1948. On June 10 Mr. Marshall wrote to Mr. Davey:

"Your letter of June 9, with reference to the Fine Paper sheets which are now out of date, will be answered at the earliest possible moment.

As these revisions come through the Fine Paper Council, we will need to wait until they are received."

(COA 2-4)

On June 25, 1948 Mr. Marshall again wrote to Mr. Davey. He said:

"The enclosed is the up-to-date Fine Paper Sheet No. 114, which you will kindly use until further notice.

You may observe that there is the odd instance where the new price is lower than that of March 8, at which time the increases were only estimated."

(COA 2-3)

Sheet No. 114 had to do with prices on sales to the King's Printer in Victoria.

Mr. Marshall made another reference to meetings of the Vancouver group in a letter dated August 9, 1948 when in answer to advice from Mr. Davey that Columbia Paper had not raised the price on a particular item, he said:

" . . .

We are printing new sheets this week, covering the raises in price of June 18, which will be distributed by August 16. All prices were checked at a Meeting held recently, so you may rest assured Columbia Paper will make the necessary corrections by that time."

(COA 2-1)

On September 28, 1948 F. Smith of Smith, Davidson & Wright wrote to Gilbert Garnett of Coast Paper:

"In view of the fact that the new freight rates to Victoria are very much increased, these now being on the basis of \$6.00 per cubic ton, or class rates as follows:

1st Class	69¢ per 100#
2nd Class	62¢ per 100#
3rd Class	50¢ per 100#

and which have now increased the rates from 3 to 3½%, we suggest that the time has now come when we should give special consideration as to whether there should not be some new system of pricing adopted for goods sold in Victoria.

We are giving you this advanced information so that you can give consideration to this matter and come prepared to discuss this at our next Board meeting."

(COA 10-1)

A decision reported to Mr. Cowan on November 3, 1948 by V. Stott of Barber-Ellis shows that group control of the trade extended into making joint decision as to what papers would be stocked by the individual merchant. The letter said:

"Would you kindly advise the other Houses that it was decided at our meeting on November 2, to reinstate the following lines?

Offset Book White - 25 x 38 - 160M
 - 28 x 42 - 198M

Offset Homespun Finish White and Colors
 - 25 x 38 - 160M

Goldfinch Bristol - 280M

Falcon Index Bristol.... - 340M

(PDC 1-437)

After getting some information as to how similar problems were handled in the Central and Prairie Sections of the C.P.T.A., consideration was given at a Fine Paper Division meeting held on February 15, 1949 to the conditions under which the 2 per cent cash discount was allowed and interest on past due accounts was charged. In advising Mr. Cowan of the decisions taken at the meeting Gilbert Garnett said:

" . . .

Second, the question of sound accounting practice-- first, in the matter of the 2% cash discount, led us to agree that an effort would be made to have all accounts paid by the 20th of the following month as the deadline for the 2% cash discount, but that it would be left to the discretion of the individual House as to whether or not the discount should be allowed in the event of a time-lag for a few days BUT that in no case should the discount be allowed if payment is delayed beyond the end

of the month.

In the matter of charging interest, the entire outline of accepted practice in Ontario and on the Prairies be adopted here. This is outlined on the attached memorandum.

Will you kindly issue sheets accordingly, covering the question of 2% cash discount and also the charging of interest?"

(PDC 1-513)

The practice of having Mr. Cowan issue price sheets covering a limited range of special matters was continued into 1950. Thus on July 6, 1950 Mr. Cowan sent Hodder & Moffitt in Toronto sheets dated June 1950 covering such matters as prices and selling conditions for "import" sales on book papers and coated papers and special discount privileges for the King's Printer in Victoria (HOT 51-1).

VII. Checking Upon Observance of Uniform Prices by Merchants

Any merchant who was a party to, and adhered to, the agreed prices and practices would of course be at an immediate disadvantage if other parties thereto ceased to consider themselves committed to observance and elected to consider such prices and practices only as a guide. In order that the whole group should be protected against such competition the merchants in Quebec, Ontario, the Prairies and British Columbia entered into local arrangements which involved making their sales and other accounting records open for inspection should complaint be made that they were not observing the various agreements. By so doing they made it possible for the facts in a particular case to be established. Under the arrangements in effect in the Quebec and Ontario territories, sales records were regularly checked as to price and conditions affecting price by an employee of Hodder & Moffitt. Because such arrangements were embodied in the general price agreements they have already been mentioned incidentally in other places in this report.

The formal arrangements which established the Ontario Fine Paper Council, the Paper Distributors Council of B.C., the Prairie Fine Paper Council and the Quebec Fine Paper Council were for the purpose of ensuring that price agreements to which all the local merchants were parties would be kept. The council agreements did not establish procedures for the calculation of prices or the fixing of conditions of sale but they did establish procedures under which any one merchant could insist on an investigation of the records of any other for the purpose of discovering whether the latter was abiding by the prices and conditions of sale which had been agreed upon. In addition, under the council arrangements, procedures for dealing with special problems, such as disposal of sub-grade papers, were established.

(a) Ontario

The arrangement under which all the recognized merchants with warehouses in the Ontario territory of the C.P.T.A. became associated in the Ontario Fine Paper Council was dated November 29, 1934 and its provisions are quoted in full in Chapter VI of this report. Sections 15 and 16 of the arrangement stated that the secretary should provide satisfactory facilities for conducting a systematic audit of sales records of the members; that he was authorized to report to council meetings upon infractions disclosed thereby; and that he should be accorded all necessary facilities by the members for the purpose of his examination.

Ivan Moffitt, the secretary, gave evidence, from which the following is quoted, about the Ontario Fine Paper Council arrangement which first became effective a few months after the firm of Hodder & Moffitt was established:

"Q. Then, this agreement was entered into with the Ontario Fine Paper Council. Why did that agreement result in your organization having to perform extra duties over and above what you were doing before?

A. There were certain specific duties laid down for us, were there not?

Q. To what are you referring?

A. I have not read it, sir.

Q. Would it be the audit?

A. It would be.

Q. What was the purpose of the audit?

A. Several things.

Q. Let us have them?

A. It was considerable assistance in having a member firm -- in having a check on the efficiency of their own organization, so far as the clerical work was concerned.

Q. Anything else?

A. There would be more, of course.

Q. Beg pardon?

A. There would be, yes.

Q. What others do you suggest?

A. A certain amount of the feeling of stability.

Q. In what respect? What do you mean by that?

A. Stability in the market.

Q. Would it not be fair to say that the purpose of the audit was to police this price agreement entered into by the merchants?

A. Police?

Q. Yes, to see that they are being carried out?

A. It was a check on the extent to which individual houses were efficient in carrying on their own business.

Q. That was not my question. I say is it not fair to say that one of the purposes of the audit was to police the members and to ensure that they were carrying out the price agreements entered into?

A. There was no means of ensuring anything."

F. W. Halls founded Fine Papers Limited in 1935, but the company did not become associated with the Ontario Fine Paper Council or a member of the C.P.T.A. until early 1937. Mr. Halls gave evidence on the purpose of the audit:

"Q. Could you tell me what the purpose of that audit was?

A. It was something like an internal audit for each of the paper houses. By being joined up, it was a lot cheaper than we could hire a man to come in for. I know there has been some talk about the audit, but we found it was not only that the auditor reported stuff that was sold below market, but it was also stuff that had been charged too high. It was not a checkup that I know about, except for that one purpose, to give us a chance to get in this picture at a very reasonable arrangement.

Q. To get the picture of what the other houses were doing?

A. No, what we were doing.

Q. What you were doing?

A. Yes."

(Evidence, pp. 218,9)

In view of the wording of the agreement and the fact that the procedures followed for years involved the whole group being informed of errors or deviations from standard made by any one of the members, these statements of the purpose of the audit must be considered as incomplete.

In its mechanical details the Ontario audit was quite simple. An employee of Hodder & Moffitt who was familiar with the pricing methods used by fine paper merchants checked their sales records. For ex-warehouse shipments he checked the sales records against the merchants' own price book and for direct mill shipment quantities he checked the transactions against prices and conditions of sale shown in the Hodder & Moffitt Schedule (Evidence, p. 23). By using the merchants' own price list the auditor had an immediate source showing the grade of the paper which would sometimes be sold under a trade name used only by a particular merchant or mill and which trade name might not be applied to such grade in the Hodder & Moffitt Schedule. The auditor could assume that the prices shown in the merchant's price list were, grade for grade, the same as those shown in the Hodder & Moffitt Schedule.

If the auditor found an error in a merchant's sales records, he told an officer or employee of the firm about it. Although this advice may sometimes have been given orally it was also on occasion made in writing, in which case the details were filled in on a standard Hodder & Moffitt form which was then left with the merchant. Each Hodder & Moffitt auditor had a distinctive rubber stamp and when a merchant's sales ledger sheet had been checked, it was marked with this stamp.

The record indicates that for some years the Ontario merchant group in its meetings gave consideration to what was sometimes referred to as the "Audit" and sometimes as the "Report on Sales". A meeting of the Ontario Sub-Section, which was a later name for the Ontario Fine Paper Council, was held on February 11, 1941 and the following is found in the minutes:

" . . . "

AUDIT Report was submitted and discussed covering sales during the months of October, November and December.

" . . . "

(FNE 15-190)

The only earlier meeting of the group for which minutes were found during the investigation was held on January 7, 1941. These minutes do not refer to the audit but in view of the minutes of the February 11, 1941 meeting, covering the audit for three months and of regular references to it at later meetings, it is fair to assume that group consideration had been given to the findings of the auditor even before 1941.

A minute from those for the Ontario Sub-Section meeting held in Toronto on April 15, 1941, shows the type of matter that developed from discussion of the audit report:

" . . . "

AUDIT Report was made covering sales during the month of February. Several items arising were discussed in detail. Attention was drawn to the need for a direct shipment selling structure on Blanks, Tag Manillas etc., not now covered. The point was stressed that the conditions with respect to filling of Bond paper orders in particular must be rigidly enforced.

" . . . "

(FNE 15-137)

A letter written by M. F. Fridham, then an auditor for Hodder & Moffitt, on June 9, 1941 to F. W. Halls of Fine Papers Limited, appears to distinguish between errors that were of primary significance to the individual merchant and deviations of a nature to interest the group. Mr. Fridham said:

"During our audit we noted that there were two items supplied by the mill direct to Alger Press which were not charged to that customer's account:

1. 20M No. 7 Bond, Goldenrod
2. 4½M No. 7 " Canary

As these have now been charged, no reference has been made to them in our regular audit report.

We thought you might want a note of this so that in future similar errors might be guarded against."

(FNE 15-96)

It would seem that the audit report referred to in this letter was the same type of report as the "report on sales during the months of March to July" made at the meeting of the Ontario group on October 7, 1941 at which "it was instructed some items be referred to the next meeting for further explanations" (FNE 15-141).

The following quotation from the minutes of an Ontario Sub-Section meeting held on December 14, 1943 shows how an old regulation might be re-affirmed as the result of discussion arising out of conditions revealed by the audit report:

" . . . "

SALES Report was made covering sales during October. Attention was drawn to the undertaking entered into jointly with the Mills in January 1941 which reads: "The understanding was established that all sales on the direct mill shipment basis, made by mills or merchants, will be delivered from the mill point, and no shipments against such orders will be made from any local warehouse stocks. Maintenance of this understanding is subject to the full compliance without exception by all parties".

" . . . "

(FNE 11-2)

Although the minutes in evidence seldom give detailed information as to the nature of the irregularity revealed by the auditor, they sometimes make allusion to it. The following minute quoted from those for an Ontario Sub-Section meeting held on April 10, 1945, evidently refers to a problem that had arisen in respect of sizes:

" . . . "

REPORT OF SALES Report was made covering sales during January. The Secretary was directed to take up with the House concerned an item of Bristol Board in special size.

" . . . "

(WPL 3-11)

A sub-section meeting at which "Report was made on sales for the months of March to June" was held on September 12, 1946, the day

before C. Wells of Whyte Hooke wrote the following letter to Hodder & Moffitt:

"The error in charge to Remington Rand on our invoice #9403, April 30, 1946, was corrected by our debit note #9797, May 22, 1946 for \$1.80.

I'm sorry that I didn't have this information ready for you at the meeting. Please accept my apology."

(WPL 4-2)

This letter would indicate that it was the practice for members' representatives at Ontario Sub-Section meetings to explain errors or transgressions uncovered by the auditor and to give a report to the group on what steps had been taken to correct them.

The following exchange of correspondence, also, shows that the audit system was not simply a matter between an individual merchant and his auditor. On April 18, 1947 Buntin Reid's Ottawa representative wrote to his company's office in Toronto and said:

"On invoice March 28th J. M. Hill for 8½ x 11 Revenue Bond. The girl there now tells me she ordered Mimeo which I am ordering in this mail. She ordered Revenue. However they can't use and I can get Capital Stamp & Staty. Co. to take it but we should allow them 18% as they buy most of their cut stock in 100 M lots. You can let me know anyway. It may be cheaper to do it this way than to ship back.

. . ."

(ERP 13-1)

The reply read, in part, as follows:

"In reply to your memo of the 18th inst., it would be quite satisfactory, as far as we are concerned, to switch the Revenue Bond to the Capitol Stamp and Stationery Company, but if we allow the 18% discount, we have no way of justifying the price for the Paper Trade Auditors. It may be possible that this could be included in an order for 100,000, even if we had to back-log the other item for shipment when available. Would you be good enough to let us know at your convenience, what you can work out."

(ERP 13-2)

It was the practice in the Ontario Sub-Section for the secretary to send out notices giving the place and date of meetings and some outline of the business that was to come up. For example, a notice for a sub-section meeting to be held on October 23, 1947 included "Sales Report" as item four under the heading "Agenda" (ERP 3-1). Minutes for the meeting held on October 23 were available for examination. They

include no reference to the "Sales Report" or to audit reports or to any similar subject, nor is any such reference found in minutes for meetings held subsequent to October 23, 1947. In evidence Mr. Moffitt said that this was because there were no further discussions of the audit at the meetings and that this was the result of a decision taken by himself (Evidence, pp. 76,7).

As late as July 14, 1950, this being a considerable time after this investigation started, Buntin Gillies of Hamilton wrote to Hodder & Moffitt, Toronto on the subject of an error detected by the auditor. This letter said:

"When the auditor was checking recently he gave us a memo of our invoice #71670 of May 17th for Merchants Printing Company, Kitchener, for 3500 sheets Plainfield Offset Book White 25 x 38 - 240M charged at \$16.50 which should have been \$17.00 per cwt.

We discovered this error and sent an undercharge invoice for the difference on June 8th, our invoice #73469."

(HOT 62-1)

There is a very close similarity between this letter, which Mr. Moffitt said the merchant had written "voluntarily" (Evidence, p. 75) and the one of September 13, 1946 quoted above.

The fact that the records available of meetings subsequent to October 1947 contain no references to the audit, does not necessarily indicate any real change in the practice. Even if the audit report was not discussed at meetings after October 1947, the fact that the secretary's representative checked the sales records of the merchants meant that the secretary was in a position to get information on any particular transaction and was also able to get up-to-date information on the general state of adherence to or deviations from, the group arrangements. In a time of high business activity such a limited routine with respect to the audit may have been considered sufficient.

Each of the Ontario Sub-Section members paid Hodder & Moffitt a separate fee for services rendered in relation to the audit. The Hodder & Moffitt charges for these "secretarial" services apparently depended in some way on the size of the merchant's business, as in 1947 one paid \$228.00 "for auditing etc" (CFT 2-1A), whereas another paid \$996.00. It may very well be, of course, that the audit was also useful, in the case of certain merchants, as a check upon the accuracy of their accounting systems, in addition to its primary purpose of disclosing possible deviations from the arrangements.

(b) Quebec

Some information concerning the formation of the Quebec Fine Paper Council has already been given in Chapter VI. The record of the discussions and negotiations which preceded the actual adoption of the Quebec Fine Paper Council agreement on January 17, 1938 clearly shows

that when drawing up its provisions, or what might be called its by-laws, the participating merchants hoped to establish a condition of price uniformity in their market territory. Sections 8 and 10 of the Quebec Fine Paper Council agreement provided that the secretary should conduct an audit of the members' records to ascertain whether the provisions of the agreement were being complied with; that he should investigate complaints; that he should communicate to the Council any contravention he discovered; and that the members would furnish to the secretary monthly a statement as to whether any price concessions in contravention of the agreement had been made (MCF 17-1-20-22).

The matter of the statements was followed up. On March 11, 1938 Ivan Moffitt, the secretary, wrote to J. B. Rolland and said:

"Under the arrangement which went into operation on February 1st, the details of which are stated in the memorandum dated January 17th, each of the members is to furnish a statement in the form outlined in the memorandum by a company official or by the company's auditor with respect to allowances, rebates or such like. Will you please let us have such a statement on behalf of your Company for the month of February? We will appreciate it if you will send this to our Montreal office. An addressed envelope is enclosed for this purpose."

(JBR 30-15)

J. B. Rolland sent a certificate to R. G. Johnston of Hodder & Moffitt, Montreal, on March 22, 1938. Its wording followed that of one of the model certificates which had been annexed to the agreement of January 17, 1938:

"OUTLINE OF CERTIFICATE BY COMPANY OFFICIAL.

I hereby certify that to the best of my knowledge and belief, no allowance, rebate, or disbursement (other than those for returned or defective goods), or loan of money, have been made or given by La Cie J. B. Rolland & Fils, or in its behalf, to or on behalf of its Fine Paper customers or their employees, and that merchandise delivered to customers was of same quality and quantity as stated in the sales invoices, during the month of February."

(JBR 30-8)

The other certificate which was drawn up for use under section 8 of the agreement read as follows:

"OUTLINE OF CERTIFICATE BY FIRM'S AUDITOR

We have examined in detail the entries contained in the books of original entry of the above named Company, and the vouchers relating thereto, for the month ending _____, 1938.

We report that with the following exceptions, our examination did not disclose any allowances, rebates, disbursements or advances (other than those for returned or defective goods) to or on behalf of Fine Paper customers or their employees."

(MCF 17-1-23)

The two C.P.T.A. members with warehouses in the territory coming under the rules and regulations of the Quebec Sub-Section who did not join the Quebec Fine Paper Council on January 17, 1938 were L. P. Turgeon of Quebec City and Burtin Gillies of Hamilton which had a branch in Ottawa. The evidence indicates, however, that they were drawn into the arrangement shortly thereafter. In a letter dated January 31, 1938 to Marcel Rolland of J. B. Rolland, Ivan Moffitt said:

"On Saturday I sent to Mr. Turgeon a copy of the agreement for the operation of the Quebec Fine Paper Council. In doing so I referred to your discussions with him and suggested that should any points not be clear, I would be glad to deal with any questions he might want to take up. Also in writing to him, I enclosed a copy of the January 24th meeting which you had sent to me and of the meeting held on January 17th when the arrangement was adopted.

We will have to keep in mind in future that Mr. Turgeon will have to be kept posted on any rulings, etc., that may be put into effect for the territory."

(JBR 30-9C)

On the same day, January 31, 1938, Mr. Moffitt sent Mr. Rolland another letter which was very similar to the one quoted above. In it Mr. Moffitt told Mr. Rolland, concerning Burtin Gillies, that "arrangements have been made that we will check their complete records with respect to sales from their Ottawa branch" (JBR 30-7D).

Apparently the audit of the members' sales for February 1938 had been completed by the time the Quebec Fine Paper Council had its meeting on May 5, 1938 as the minutes for that meeting include the following:

"FEBRUARY SALES Report was made in connection with sales during February and points arising were discussed.

...
UNDER-CHARGES It was recommended that debit notes should be issued to the customer to cover under-charges through clerical errors that may be disclosed.

..."

(MCF 17-1-6)

In October 1939 certain changes in the Quebec Fine Paper Council arrangements for the purpose of strengthening it were proposed. Ivan Moffitt wrote on October 14, 1939 to L. P. Turgeon and his letter indicates the nature of one proposed change:

" . . .

At the meeting, your views in regard to one of the proposed changes in the arrangement were submitted, and after discussion it was agreed not to amend the agreement to provide for assessments on members as against infractions disclosed. The members of the Council in Montreal, however, have among themselves agreed that they will contribute voluntarily on the basis as previously suggested against such irregularities that are brought out and reported in the monthly inspection. The way in which this was discussed and agreement reached was that it would be entirely voluntary on the part of those subscribing and would not in any way be subject to compulsion through the Council or its Secretary. It does not involve nor is it intended to involve any member of the Council not voluntarily subscribing to the contributing plan.

I know you have given considerable thought to this particular matter and I should like now to have your views in regard to this action as proposed at the previous meeting and your position with respect to membership in the Council."

(LFQ 19-5)

In late 1939 McFarlane Son & Hodgson withdrew from the Quebec Fine Paper Council arrangement. When a committee was formed in October 1940 at a general meeting of Quebec fine paper merchants "to consider local activities" (KRV 16-72), a representative of McFarlane Son & Hodgson seems to have been on it, as when it met on March 17, 1941 the following persons attended:

T. Havill (Chairman)	T. Havill Paper Co.
J. B. Brown	T. B. Little
J. B. Larkin	Howard Smith
W. D. Nelson	McFarlane Son & Hodgson
F. Willment	Canada Paper Wholesale

The record of the meeting includes the following:

"Definite opinions were expressed as to the association necessary to meet conditions obtaining, and its method of operation. Following detailed discussion with emphasis being placed on

1. Definite adherence to regulations;
2. Immediate stabilization of present conditions;
3. Investigation of reports and provision for complainants;

it was instructed Mr. C. V. Hodder be asked to sit in with the Committee at a further meeting next Monday, March 24th."

(CRW 21-11)

C. V. Hodder, who died in 1947 and who was then the senior partner in Hodder & Moffitt, attended the meeting held on March 24. The record shows that in addition to Mr. Hodder, the meeting was attended by the same people as were at the one held the week before and it also contains the following:

"Mr. C. V. Hodder was present and the situation was reviewed with various points being explored. Mr. Hodder is to prepare and submit to each member of the Committee for individual consideration a draft of an agreement designed to give more effect to local activities. Suggestions relative thereto are then to be submitted to him, of which a digest will be made and sent to each one, and a further meeting held."

(CRW 21-10)

On April 2, 1941 Mr. Hodder wrote to T. Havill, chairman of the committee, and said:

"Since my meeting with you last week, I have been going over various forms and types of agreement. I do not think at the moment it is necessary to draw up an agreement so much as it is desirable that you should have all the points before you that an agreement would cover. This letter will indicate, therefore, what I understand to be the wishes of your Committee in that regard. The agreement they desire would cover the following points:

1. The adoption of certain price schedules as applicable in the distribution of Fine Papers. It is my understanding that these schedules are already prepared and are issued from time to time when changes are made through the Canadian Paper Trade Association.
2. An agreement to maintain these schedules, with the following assurances:
 - (a) A deposit being placed in the hands of the Secretary, whose functions will be dealt with later;
 - (b) A sales audit, where the checking will be confined to a complete analysis of sales from the standpoint of invoices and credit notes;
 - (c) Placing in the hands of the Secretary the right to examine all records of the Company should he consider it desirable so to do;

(d) A certificate from the regular Accountant of the various Merchants, as per Exhibit A;

(e) An affidavit to be signed by the appropriate officer, as per Exhibit B.

3. The Secretary shall have the following rights:

(a) The right of examining, either himself or by his employees, all records of sale or records which might pertain to sales;

(b) The right to impose a penalty considered by him applicable for any deviation from the accepted schedule, presenting an invoice for payment for damages to the deviating Company, and having the right, in the event that such payment is not made immediately, of deducting it from the deposit;

(c) The Secretary shall be bonded in an amount similar to the total deposit;

(d) The Secretary shall have the right to determine what constitutes a deviation from the schedule, and shall be authorized to consider any rebate, discount, or other inducement as a deviation.

4. It is my understanding that the agreement shall include a proviso making the Merchant responsible for the acts of his employees.

The form of the agreement is, I understand, to be between the Merchant and the Secretary, and to cover a period of at least one year.

I understand meetings would be held monthly.

Suggestions were made that the penalties to be imposed by the Secretary should be not less than the total amount of the order. You will recall I pointed out to you that in my opinion the Secretary should have the right to impose a penalty in an amount he considers desirable and necessary to correct any given situation. My reason for making this statement was that it was conceivable that a perfectly innocent error might be made on the one hand, and also that a total order might include many items at the regular schedule with perhaps one item in a wrong amount. It might also happen that the one item influenced the entire order.

If these items cover the understanding of your Committee, I will have them drawn up in the form of an agreement, but I should like to be sure that there are no items omitted in my understanding of your wishes. I shall be glad to hear from you in due course so that I may take the next step."

Exhibit A, which was attached to the letter, was in the form of an auditor's certificate to the effect that no unauthorized price concessions had been disclosed by the auditor's examination of the merchant's records. Exhibit B, which was also attached, was in the form of a declaration under oath by an officer of a member firm to the effect that the terms and conditions of the agreement had been fully maintained. Mr. Havill was asked about this letter and his evidence was as follows:

"Q. I am showing you copy of a letter dated April 2, 1941, LIT 3-20, addressed to Mr. T. Havill, signed by Hodder and Moffitt, and it appears to have been dictated by Mr. C. V. Hodder, over 9 years ago.

A. I can't prevent Mr. Hodder writing me letters, can I?

Q. No, but ---

A. Where did Hodder get this idea from? No such thing has been in effect.

Q. I am not asking you ---

A. What Mr. Hodder had in his mind is no concern of mine.

Q. You remember discussions about revisions of the agreement?

A. Not that, no sir, never any part of it.

Q. Never any discussions about ---

A. No, sir.

Q. --- price schedules being issued by Hodder and Moffitt?

A. We have asked Hodder and Moffitt to draw up a price list for us. They are secretaries. That is what we employ them for, to work for us, but they know -- Hodder may have written that. I am not concerned with what Hodder wrote. I have had no part of it, neither have I agreed to it. I might have received the letter. I cannot tell the mailman he cannot deliver it to me.

Q. You mean to say you never had a meeting with Mr. Hodder in which you discussed the question of agreement between merchants?

A. Might have been such a thing; there might have been such a thing; I don't remember it.

Q. Are you saying that there was ---

A. I say it might have been such a thing; I am not saying it was or was not.

- Q. Why do you say there might have been such a thing?
- A. Because Hodder wrote that letter.
- Q. And is it not because you offered an agreement between merchants?
- A. No, I never offered any such thing, because no such thing exists even today.
- Q. Hodder and Moffitt did issue those price lists, didn't they?
- A. Yes, they did.
- Q. So far as lines covered by these price lists are concerned you always copied them into your price books?
- A. No, we checked them because they are the markups that our company wants to adopt. We cannot afford to sell at less than that."

(Evidence, pp. 1874-76)

There is no indication in the evidence that the plans outlined in Mr. Hodder's letter of April 2, 1941 were ever put into effect and it appears that the 1938 arrangement was continued without substantial change.

After McFarlane Son & Hodgson withdrew from the Q.F.P.C., and hence from the audit arrangement, meetings of this group gradually came to the point where the results of the audit were the only matters discussed. Separate meetings of the full merchant group were held in Montreal from time to time under such name as "Quebec Fine Paper Merchants" until 1942 when, upon T. B. Little's rejoining the C.P.T.A., they became meetings of the Quebec Sub-Section of the C.P.T.A. McFarlane Son & Hodgson's withdrawal from the Q.F.P.C. did not affect its fine paper pricing or selling practices. R. C. Denver who had been with the company for many years and who became vice-president and sales manager in 1947 gave evidence on this subject:

- "Q. Was it your understanding that your company was to maintain the prices issued in your printed price list?
- A. Was it my impression that our company ---
- Q. Or your understanding?
- A. No, it was not my understanding. I have had the books since I have been there, in 1937, and I knew from the business point of view that if we broke those prices there would be no money left in the business.
- Q. You followed those prices?

A. Yes, followed them absolutely.

Q. And did you expect other merchants to follow the prices, too?

A. Yes, I did.

Q. And did they ever tell you that they would follow the prices?

A. No; if you did not follow the prices the profit would be shot.

Q. Had you prepared your price lists from the Hodder and Moffitt schedules?

A. That is right."

(Evidence, p. 2089)

Available records for the period up to early 1948 show that it was the practice for two different communications to go regularly from Hodder & Moffitt to the members of the Q.F.P.C. The first one of these gave the members information concerning their own accounts. As an example of this a letter written on June 24, 1942 by R. G. Johnston of Hodder & Moffitt, Montreal, to F. W. Willment of Canada Paper Wholesale, Montreal, is quoted:

"Please be advised that a Council meeting has been called for next Tuesday, June 30th, at 12.30 o'clock at the Mount Royal Hotel. The purpose of the meeting is to consider the audit report for the months of December to February and enclosed is report of items noted in connection with your company's sales during this period.

Should there be any question regarding any of these items, kindly call me not later than Friday of this week as a general report of all sales will be going forward on Saturday. Also, should you have any difficulty in recalling any of these items perhaps I can be of assistance to you by referring to the auditor's note of your comments."

(CRW 25-2)

The other type of letter is illustrated by the following which Hodder & Moffitt sent out to the members on November 28, 1944:

"Enclosed is copy of General Report of items noted in connection with October sales which will be dealt with at the Council meeting on Thursday, November 30th.

The individual company's items are indicated by a red 'x' as usual."

(WWD 3-8)

When the general reports were brought before the Q.F.P.C. meetings for consideration, they were the basis for discussion of differences in practices followed by the members. This is indicated by the minutes of a meeting held on June 2, 1941 which included the following:

" . . . "

APRIL, 1940
TO FEBRUARY,
1941 SALES

General reports in connection with sales for the period April, 1940 to February, 1941, inclusive were discussed and the following points noted and decisions reached:

1. Assortment of mill brands of the same grade of Bond in direct mill shipment quantities at the direct mill resales is not permitted even though the color of one mill for one item to that of another mill is requested by the customer.
2. Where typewriter papers are wanted cut in half, i.e., $5\frac{1}{2} \times 8\frac{1}{2}$ and $7 \times 8\frac{1}{2}$, same will be supplied at an upcharge of 10¢ per M net - no discount for cutting. Such sales are to be invoiced as a quantity of either $8\frac{1}{2} \times 11$ or $8\frac{1}{2} \times 14$, at the regular typewriter resales, cut to $5\frac{1}{2} \times 8\frac{1}{2}$ or $7 \times 8\frac{1}{2}$ at a separate cutting charge as specified above.
3. No. 4 Grade of Book Paper should not be sold in less than two tons in one delivery as specified.
4. Off-cuts are not to be counted in computing cutting charges per cutting charge schedule.
5. Extreme difficulty in dealing with return of stock made less saleable was recognized.
6. Cover Paper in cut sizes and packaged in 100 sheet quantity and Blotting Paper similarly packaged were accepted as Stationery items and not subject to audit.
7. No. 2 Padding Board in caliper .055 may be carried as a stock item and the resale for it is to include the upcharge applicable to this caliper.
8. There is to be strict adherence to the cutting charge schedule.

. . . "

(GFW 22-25)

This meeting was not attended by a representative of McFarlane Son & Hodgson but on July 4 there was a general meeting of fine paper merchants at which all fine paper merchants with warehouse stocks in Montreal, including McFarlane Son & Hodgson, not a Q.F.P.C. member, and T. B. Little, not a C.P.T.A. member, were represented. At this meeting all the items shown above in connection with the Q.F.P.C. meeting of June 2 were dealt with and appear in the minutes under the heading:

"Confirmation of Quebec Fine Paper Council Decisions"

(CFW 22-7-2)

It would seem that in the Quebec Fine Paper Council meetings the representatives of the members were expected to explain matters shown on the general report and at such times the name of the merchant concerned in a particular transaction would be revealed. This is implicit in the following minute quoted from those for the Q.F.P.C. meeting of December 30, 1941:

" . . . "

NOVEMBER
SALES

General report re November sales was discussed in detail with two of the members undertaking to report back to the next meeting respecting some of their sales.

It was reaffirmed that the schedule applies to sales to any department of the Dominion Government and any Wartime organizations.

" . . . "

(CFW 24-4)

The audit under the Q.F.P.C. arrangement was still being carried on in the fall of 1950 as Mr. Moffitt said in evidence:

"Q. Has there been any change in the functions of Quebec Fine Paper Council, to your knowledge, since 1945?"

A. No.

Q. And up to the present time are they still carrying on with the audit, in the same way as before?

A. Yes.

Q. And for the same purposes as before?

A. Yes."

(Evidence, p. 86)

Mr. Moffitt's evidence as to what were such purposes has been referred to previously at pages 300-301.

As an illustration of the methods used in the post-war period a letter written on July 18, 1947 by R. G. Johnston to T. M. Hubley of Federal Paper is quoted:

"Enclosed is report on items noted in connection with your sales during the month of June.

Should there be any question with regard to these items please communicate with me not later than Wednesday, July 23rd."

(FRC 12-8)

There were six items listed on a page which was headed:

"FEDERAL PAPER COMPANY LIMITED

DEBIT ITEMS

RE

JUNE 1947 SALES

Items 2 and 3 were shown under the sub-heading:

"Items considered of a petty nature for which debits will be issued"

Items 4, 5 and 6 were under another heading:

"Items for which debits issued prior to completion of audit"

(FRC 12-8-2)

Item number 1 on the list sent to Mr. Hubley turned up as item number 3 in a 3-page list of 31 "Debit Items" that was sent to each of the council members on July 25. The covering letter said:

"Enclosed is copy of the general report respecting sales during the month of June, which is among the items to be considered at the next meeting of the Council."

(LIT 5-4)

The sales reports in evidence which were sent out by Hodder & Moffitt to the Q.F.P.C. members only made mention of transactions in which the merchant had charged the paper out for less than the full amount called for under the price schedule, rules and regulations. When the auditor went to the premises of one of the members he carried with him a copy of the previous sales report concerning that member and checked to see whether the items noted had been adjusted. Mr. Johnston would be advised as to whether they had or not (Evidence, p. 1941).

Mention has already been made of the fact that McFarlane Son & Hodgson withdrew from the Q.F.P.C. in 1939. The T. Havill Paper

Company withdrew in 1947, this action apparently being taken as some kind of reprisal for Mr. Havill's views not being followed in a matter not directly related to the audit. Mr. Havill's evidence indicates that it was not the practice of his firm whether audited or not to sell fine papers at other than the prices set out in its price list or, in other words, at other than prices derived from the Hodder & Moffitt Schedule:

"A. . . . But standard goods, as I said before, as far as I am concerned the lowest price we can have on a standard article is the standard price for that article. You cannot sell it at a higher price. That is why those prices work themselves down to the same price for the same quantity or the same grade of paper. You could not sell any other way."

(Evidence, p. 1882)

Turgeon of Quebec City was another merchant to withdraw from the Q.F.P.C. Documents in evidence show that for some years L. P. Turgeon was troubled about the possible application of the Combines Investigation Act to the activities of the C.P.T.A. and the Q.F.P.C. From time to time, either by writing to Ivan Moffitt or in some other way, Mr. Turgeon brought his fears to the other members' attention. A typical letter on the subject was written by Mr. Turgeon to Ivan Moffitt on January 22, 1946 just after Mr. Turgeon had read in the press of amendments being made to the Combines Investigation Act:

" . . .

So far as the activities of our association are concerned, I do not feel nervous, as long as a new Combine Act is not enforced by the Government, but I do not feel so comfortable about the work of the Quebec Council. (Checking member's sales and prices). I fear that what has been a contribution on the part of the paper distributors to W.P.& T.-B. is now becoming a violation of the law.

In front of those facts, I sincerely believe that time is ripe for us to discontinue the practice of auditing members' books, and reporting errors or omissions to a committee.

I would appreciate very much having your views with regards to this new situation,"

(LRQ 6-1)

Mr. Moffitt acknowledged this letter on January 26 and closed his letter as follows:

" . . .

Your engagements probably will require you or Francois (Turgeon) to travel to Montreal within the next few months, when it could be arranged to have the Council discuss the matter."

(LPQ 6-3)

Apparently no action was taken at this time. Turgeon resigned from the Q.F.P.C. in 1949 after this investigation started.

It might be mentioned that after John Neville became established in Ottawa as a merchant in 1940, his firm became a member of the Q.F.P.C. and his records were audited by a Hodder & Moffitt man. Neville Paper's position was unique in the Q.F.P.C. as it made no payment for the audit services. The other members made payments which totalled \$660. for the first quarter of 1950. Of this \$660., \$220. was split between the seven of the eight members with each member paying one-seventh. The other \$440. was paid by the seven members on the basis of the part of the time spent on their premises by the auditor as compared to the whole amount of time spent on the audit for the period. Thus, whereas the audit cost Neville nothing in 1950, it cost one merchant in Montreal a total of \$44.63 for three months and another \$154.63.

(c) The Prairies

The Prairie Fine Paper Council agreement which was adopted early in 1935 was patterned after the Ontario Fine Paper Council agreement and generally followed its provisions closely. The sections covering the "Secretary-Auditor" and the "Audit" are quoted here:

"No. 15.
SECRETARY- THAT Walter J. Macdonald be appointed Secretary-
AUDITOR. Auditor at a fee of \$50.00 per month for six
months, such fee to be payable monthly for the
period of the arrangement. He shall provide
satisfactory facilities for the purpose of con-
ducting a systematic audit of the sales records
of the members in those lines covered by this
arrangement. He shall have complete control of
the audit system. He shall be authorized to report
direct to meeting of this Council particulars of
infractions disclosed by the audit. He shall be
given authority to interview any member at any
time respecting irregular practices in which such
member may be said to be involved.

No. 16
AUDIT THAT the Secretary-Auditor, upon written complaint
of a member shall make examination of the sales re-
cords of such member complained of as he may consider
necessary, to a proper report to the Council. The
name of the member complaining shall be available
to the member complained of."

(MID 3-98)

Although section 15 of the P.F.P.C. agreement called for a "systematic audit of the sales records of the members", no regular audit was in fact ever carried out in the Prairie Section of the C.P.T.A. It appears that one reason why the provisions of section 15 concerning the audit were not carried out was that of expense. Whereas the annual fee to Ivan Moffitt under the O.F.P.C. arrangement was to be \$3,000 a year at that time, the payments to Mr. Macdonald, as agreed to by the Prairie merchants, would total only \$600. in a year. Another consideration probably was that as the larger merchants had relatively small branches in several of the Prairie cities, travelling expenses for any auditor would have been quite high.

Minutes of the meetings and other records relating to the activities of the Prairie Section show that after the P.F.P.C. agreement was entered into by the Prairie merchants, questions relating to observance or non-observance, in a particular case, of the rules, regulations and price schedules of the section were frequently discussed. The minutes of a meeting held on May 9, 1935, indicate consideration of the procedure to be followed in making complaints:

" . . .

Method of Audit Mr. Macdonald read to the meeting draft of an affidavit which it was his intention to use in case of complaint against any member of the council. The meeting approved of the principle and Mr. Macdonald undertook to have a revised form presented for approval at the meeting on the 16th instant."

(MID 3-46)

There is no record of what was done in this respect at the meeting of May 16.

A minute from those for the meeting held on July 9, under the heading "Unethical Business Practices", reads:

" . . .

Mr. Phillips raised a question under this heading but was not in a position to furnish names and the meeting was therefore not able to discuss the matter. Mr. Phillips undertook to discuss the matter confidentially with the Secretary and with the party complained of.

" . . ."

(MID 3-40)

A. C. Hunt of Mid-West who had acted for some years prior to 1935 as a secretary of the Winnipeg group gave evidence on this minute:

"Q. . . . What is meant by 'unethical business practices,' cutting prices?

A. It might mean that, and it might mean a matter of split deliveries. It might mean anything of that nature. It might mean failure to recognize mill prices. I do not recall what was involved at that time, sir.

* * *

Q. But you say an unethical business practice, in addition to being cut prices might be things like split deliveries. It would be doing something contrary to the regulations?

A. Shall we say it would be contrary to the accepted practices.

Q. To the accepted practice?

A. Yes.

Q. Why, if it were understood that people were at liberty to do that, would you say it was 'unethical'?

A. I would express it as my personal opinion that it would be unethical to violate what was generally understood as being an ethical practice.

Q. An established practice?

A. An established practice, yes, I should have used that word, established practice.

Q. And it would be unethical I suggest because the member who would do that had led other members to believe that he would not do it?

A. Well, not necessarily so, although we would always hope that might be the case. But there is no obligation on his part."

(Evidence, pp. 2291-3)

Mr. Hunt, like many other witnesses, had already in his evidence taken the stand that no merchant was under obligation to follow the prices set out in the price schedules. He said:

"Any prices that were discussed were merely suggested prices. There was no obligation to maintain those prices."

(Evidence, p. 2230)

A meeting was held on February 13, 1936 and the minutes say:

" . . . "

Mr. Hunt stated that the cutting schedule was not being observed, principally on account of it being too high to be satisfactory. It was agreed that the Advisory Committee would take such steps as are necessary to revise this schedule and to report to the Council.

. . . "

(MID 3-84)

At the meeting of March 12, the matter was dealt with:

" . . . "

Cutting Charges A revised schedule of cutting charges, prepared by Mid-West Paper Sales Limited, was read to the meeting and with certain amendments was approved, on the understanding that these would be published in all new price lists: to that end Mid-West Paper Sales will submit proofs to the other members.

. . . "

(MID 3-81)

Cut sheets in the fine paper trade are flat sheets that have been cut down from a standard mill size such as 17" x 22" to a lesser size such as 8½" x 11" in which the paper is actually used by the consumer. Records of the meetings and affairs of the Prairie fine paper merchants include many references to pricing problems connected with cut sheets. This has probably been due in part to the fact that cut sheets are not only sold by fine paper merchants but also by commercial stationers, and consequently the fine paper merchants have not had the field to themselves. The minutes of the meeting of April 16, 1936 include the following:

" . . . "

Cut Sheets - Arising from Mr. Douglas Clark's letter in regard to price cutting at Dauphin, the Secretary was instructed to write to Mr. Borlase, the President of the Association, with a copy to Mr. Nobbs, the Secretary, complaining of the action of the Willson Stationery Company in cutting prices in regard to the Dauphin School contract.

. . . "

(BARK 34-26)

On June 19, 1936 the secretary sent a notice to the members:

"Information has come to this office to the effect that a substantial quantity of Book Paper was recently sold to a printer at a price somewhat below the regular list.

Members are aware that the only circumstances in which quotations may be made below the list are for clearance lines but in these cases this office should be provided with full details as to the quantities, grades and prices at which such clearance lines are quoted.

I shall later communicate with you by telephone to ascertain if you have any information in this connection."

(BARK 34-19)

Such a communication illustrates that the secretary was playing a part in the administration of the pricing plan.

The advisory committee of the P.F.P.C. was active in 1936 and looked into various matters for the council. The minutes of the council meeting held on December 8, 1936 show that the committee had been giving consideration to the audit and complaint procedure:

" . . .

. . . The Council further agreed to accept the recommendation of the Advisory Committee to the effect that complaints should be filed with the Secretary and investigated by him in audit; the council also reaffirmed generally, the basis of agreement of April 1935.

. . ."

(MID 3-68)

A notice sent out to the members on February 8, 1937 by W. W. McVey, acting secretary, related to prices to be quoted to Tonkin and Company. It ended:

"The member reporting feels that the other members will probably also be requested to quote and suggests that no quotation be made or as an alternative quotation be made at 25% advance over regular prices."

(BARK 31-78)

Apparently some question was raised at the council meeting of March 18, 1937 about this order as on March 25 the secretary wrote a circular letter:

"Re: Tonkin and Company

On 8th February 1937 a suggestion was forwarded to all members regarding the following order:

• • •

At the meeting of the Council on 18th March 1937 the Secretary was instructed to enquire from the members as to whether or not any of them had filled this order. This canvass has now been completed and all replies received indicate that none of the members sold these goods to the above Company.

Section 16 of the agreement is as follows:

'That the Secretary-Auditor, upon written complaint of a member shall make examination of the sales records of such member complained of as he may consider necessary, to a proper report to the Council. The name of the member complaining shall be available to the member complained of.'

No written complaint has been received, and in the absence thereof no further action can be taken at the present time."

(BARK 31-70)

There is no mention of this incident in the minutes of the meeting of March 18 (MID 3-63) nor is there any other mention in the evidence of an incident referred to in a handwritten note on the copy of the secretary's notice of March 25 which was found in the files of Barkwell Paper:

"Was B.E. complaint about our selling coated in writing?"

(BARK 31-70)

The position of Barkwell Paper at this time was somewhat different from that of the other Prairie C.P.T.A. members. Apparently Barkwell Paper submitted its resignation from the P.F.P.C. in November 1936. A committee of the council called on Barkwell and it seems that from then on until November 1939, Barkwell Paper did not contribute to the secretary's fees although it continued to participate in the activities to which the secretary's services related. After Hodder & Moffitt took over the Prairie Section secretarial duties in 1939 there was no fee separate from that relating to C.P.T.A. membership. Barkwell Paper, whether it actually resigned or not, from the council, did not resign from the C.P.T.A. and there is considerable documentary evidence establishing that throughout the period 1935 to the time of the investigation, Barkwell Paper was a party to the price and other agreements among the Prairie members of the C.P.T.A.

On December 4, 1937 W. J. Macdonald, the secretary, sent the members of the Winnipeg group, including Barkwell, the following letter:

"I am informed that Baker & Sons Ltd. were sold 24 reams of #7 17 x 28-41M Goldenrod Bond at \$5.74 per M.

Will you please advise me if you have any information on this matter."

(BARK 31-43)

Barkwell Paper's reply was made on December 9:

"Re your letter of December 4th., re Baker & Sons, Ltd.,

We have never sold this firm, and have consistently refused to quote them. Would like to hear who sold them these goods."

(BARK 31-43A)

The matter of conducting a continuous audit came up again during meetings held in Winnipeg on April 11 and 12, 1938. The following is quoted from the minutes:

"

Audit On the proposal to put into operation a running audit of sales records (and other records considered necessary) it was agreed that the Advisory Committee should be requested to bring in a recommendation as to the cost of conducting this activity and as to apportioning such cost among the member houses.

" . . . "

(MID 3-26-3)

Although an audit scheme on a systematic basis apparently never went into effect, the secretary continued to enquire about particular matters as they arose. Thus on November 17, 1938 Mr. Macdonald wrote to the members of the Winnipeg group:

"Please advise if you have recently supplied University of Manitoba with Mimeo; if so, at what price? Please phone this to Miss Brown, 93 671, first thing tomorrow (Friday) morning."

(BARK 31-22)

This question, which presumably arose out of a complaint about a price quoted or charged, was referred to at the Prairie Fine Paper Council meeting of November 24. The minutes are allusive:

" . . . "

University of Manitoba This was referred to Barber-Ellis and Clark Bros. to work out a satisfactory solution.

" . . . "

(MID 3-19)

Mr. Macdonald resigned as secretary of the Prairie Fine Paper Council in late 1939 and the minutes for the meeting of November 3 record:

" . . . "

Audit Mr. Macdonald, the retiring Secretary, recommended that audit on complaint should be changed to some other form of audit as might be decided upon by the members.

" . . . "

(MID 3-7)

After Hodder & Moffitt opened a branch in Winnipeg in November 1939 with D. Williamson as resident representative, no apparent change was made in the audit arrangements. A minute included in those for the meeting of November 21, 1940 makes reference to the situation as it then was:

" . . . "

Complaints Investigation Members agree to give Secretary all aid in investigating complaints.

" . . . "

(MID 4-66-2)

The minutes of a meeting of January 21, 1941 relate in part to agreement upon customer classification:

" . . . "

Direct Mill Shipment - Bond Inquiry to be made re two three ton lots sold to firms not on the list published 20th February 1940. Re-affirmed that list could be added to only at a meeting of this Section.

" . . . "

(MID 4-65)

This obviously referred to an arrangement under which the members could sell certain firms, whose names were listed after approval by all the merchants, in direct mill shipment quantities with payment on a basis of net, thirty days. Buyers not on this list would be sold "for cash with order without submission to the Council" (MID 4-78).

The following minutes, quoted from those for a meeting held on September 11, 1945, cover matters which had come up for discussion because a member had not been following standard procedures:

" . . . "

Loans from customers

Members go on record that it is wrong in all cases to borrow goods from customers.

Cutting stock sizes
to small sizes without
charge

Members agree trade practice of
charging for this service should be
strictly maintained.

. . . "

(MID 4-7)

A copy of the minutes of this meeting, found in Mid-West Paper's records, has a handwritten note opposite the minute immediately quoted above saying "Dick Hillier got caught" and another opposite the first one saying "Our complaint re Clarks" (MID 4-7). This meeting was attended by a representative of Barkwell Paper and a handwritten report, presumably made by him to A. M. Barkwell, the proprietor, included the following:

" . . . Any infractions of rules in future to be looked into by Williamson & no names to be given. Williamson to report back if infraction took place. Hillier had delivered goods same day order placed also did cutting at no charge for National Drugs on Coated Book. Admitted both."

(BARK 14-5A)

There was no mention in the minutes of any discussion or decision on the first mentioned matter.

On October 24, 1945 it was decided at a meeting that 25" x 38" should be adopted as the standard stock carrying size for book paper. The minutes for a meeting held on December 18, 1945 show that this ruling had caused trouble:

" . . . "

Delivery of an
Import Order
Non Standard
Stocking Size Book

Member stated a customer could not use standard size by reason of equipment and did not have facilities for handling more than 5000/7000 sheets at a time - these being charged out at the proper ex warehouse basis. This is ruled as irregular and member advised to regularize future transactions. Details are to be registered with Secretary.

. . . "

(HOW 13-35)

The complaint appears to have been that the merchant, because the customer could neither use the standard size nor store enough of the non-standard size to make up a mill order, undertook to stock the non-standard size and sell it to him as required. Under "regularized" procedure the merchant would sell the sheets after cutting them down from the regular stock size and would charge the customer for cutting them. A rise in cost to the buyer would result.

After the removal of wartime price controls the Prairie merchants continued to operate their private system of minimum price control as they had before and during the war years. Thus, the Winnipeg manager for Barber-Ellis reported to K. W. Murphy, Barber-Ellis' sales director on May 14, 1948:

"We are having a meeting of the paper group on Tuesday morning of next week and we mean to go after Mr. Hillier quite strongly regarding the little concessions that he keeps making to customers. For instance we find out that he never changes his terms from 25th to 20th of the month, and we find that if somebody does not pay their account until the first week of the following month he still gives them the discount. Of course, he still has this habit of giving away turkeys to the fellows in the shop and recently we have had several complaints of him giving people paper against mill shipments out of stock.

..."

(BEW 8-2)

Mr. Nelson sent a further report to Mr. Murphy on May 18:

"At a meeting the C.P.T.A. held this morning several things came to light, amongst them was the fact that Clark Bros. apparently for some years have been putting in phony tenders to the C.N.R. and they have been arriving at their prices by taking the mill cost, less loyalty, plus an up charge for the punching and round cornering, and then add a margin of profit and putting in that price. Of course the rest of us would have no way of knowing what they were doing. It was Mid-West Paper Sales who brought it to light and after a lot of discussion it was decided that Clark Bros. would register their prices with Hodder-& Moffitt and that these prices would be available to all of us."

Hillier Paper flatly denied having shipped Baker & Son out of stock against a mill shipment and he was also faced with having done the same thing for the Kingdon Printing Co. when they had a fire recently. But he stated that at that time E. B. Eddy Co. gave priority to his order and he was able to deliver a mill shipment complete except for a few colors in less than two weeks. Mr. Hillier has agreed to change his discount dates to the 20th of the month and now you are up-to-date on the news."

(BEW 8-3)

Mr. Murphy, who was to be elected president of the C.P.T.A. in June 1948, replied on May 19:

"Thanks for your letter of May 18th with reference to Clark Bros. quoting phony prices to the C.N.R. It is amazing what comes to light. I suppose they have been doing this for several years.

I think it was a good idea to go after Mr. Hillier as it may stiffen his backbone when he is asked for special concessions."

(BEW 19-5)

Apparently no minutes were kept for the meeting of May 18, but there is further information on the tender situation in a letter written by Mr. Nelson to Mr. Murphy on May 20:

"I know that you are interested in what goes on here in Winnipeg so I want to tell you about the 'pay-off' on the special prices for the C.N.R. and the T.C.A. because both these firms were asking for tenders.

Clark Bros. agreed to make the prices available to everyone at a meeting held on May 18th and you are quite right when you say this has been going on for years. Stuart Clark said all he had been doing was to follow out an arrangement that had been in effect for some years, even before he came here in 1935.

Now as I said before they were going to make the price available, and by the way the tenders closed at twelve noon on May 19th, so Mid-West, Hillier and ourselves were phoning Hodder & Moffitt by ten o'clock yesterday morning asking for these prices. Don Williamson said that he had been in touch with Clark Bros. and they said that they could not have the prices available until noon hour. Well, of course, this was all very obvious.

. . . However, about eleven o'clock yesterday morning Clark Bros. did phone the prices to Hodder & Moffitt and were they ever phony. They all included tax and as far as we were concerned we just could not compete. We quoted, of course, but on a basis whereby we would make a little money if we got the order, which by the way, amounted to about seven tons of assorted sizes most of it to be punched and round cornered.

Here is something else I did not know, that Clark Bros. apparently have been getting sufficient of this type of business that they now have their own equipment for punching, ruling, round cornering, and of course, cutting. Any difference in price between the cost of the paper and the finished article, is as far as Clark Bros. are concerned, due to their much lower costs of processing."

(BEW 8-5)

Stuart Clark of Clark Bros. reopened the tender question on August 27, 1948 when he wrote to Barber-Ellis, Winnipeg, and Hillier Paper and, presumably, Mid-West Paper, as follows:

"With reference to C.N.R. quotations.

You will remember in May before I went East to the Canadian Paper Trade Association Meeting, we held a heated discussion in reference to quotations to the C.N.R.

I advised at that time that for years we had been quoting on cost plus and on that basis we had only been getting a small share of the business, but we had been getting what we figured was our share.

I would like to hold a meeting early in September and have each Paper House bring their quotations and a record of what orders they have had since May of this year, and I contend it is very foolish to expect an organization like the C.N.R. who have privileges of buying direct from the Mills, but who are attempting to distribute their work on a pro rata basis according to freight to pay the regular list on Fine Papers. There are only two other sources that I can think of that these people might purchase from in the City, one is W. J. Gage and the other is Barkwell Paper Company. I am sending George Barkwell a copy of this letter.

If I can be convinced that this business has been distributed in the City to the members of the Canadian Paper Trade here at the long list, then we are quite prepared to fight for our share on a basis of diverting cars to the C.P.R.

However, if no members are getting business on this basis, then I feel we seriously should consider making ourselves competitive."

(BEW 12)

Mr. Clark gave evidence on this letter:

"Q. What do you mean by that?

A. The C.N.R. send us a copy -- the tender -- and send it to the others. If I can find out that business is being placed locally, and if it is all going to one man, I will ask him, pointblank, 'What are you quoting?', and he will tell me. I will find out what he is quoting. If I find out he is quoting the same as we are, I am prepared to fight for it on the basis of tonnage. If I find out he is cutting the price I will meet him, and I will cut my price.

Q. Then, so long as there is no price cutting among the members you are going to confine your activities, so far as getting the business on the basis of diverting cars, is that correct?

A. Yes."

(Evidence, p. 2499)

By "diverting cars" was apparently meant that, failing receipt of a part of the C.N.R. business, Clark Bros. would divert their transportation business to the C.P.R.

A meeting was held on September 11 and although the proposed agenda sent out on September 7, 1948 had an entry "C.N.R. Price Basis S. Clark", the minutes make no mention of the matter (HFC 2-1)(HGW 13-5).

In western Canada the merchants had different prices for each of the three Prairie Provinces. For this reason the prices shown for ex-warehouse sales by, say, Mid-West in the price books put out by that company's Winnipeg, Regina and Calgary branches would all be different. Trading of price books between merchants was one of the methods used in arriving at uniform prices. Thus, on August 11, 1948 R. G. Lebeau, then Mid-West sales manager, wrote to R. Wheatley at the company's Regina branch:

"Received in the mail today a complete new Barber-Ellis Regina price list - sheets are dated June 7th, 1948.

As they claim this to be a complete new book we would ask you to kindly double-check with your old book to make sure the prices are in order. If there are any discrepancies please arrange to have them corrected or advise us.

Please destroy this letter."

(MID 23-3)

A similar letter concerning a Barber-Ellis price list for Calgary was sent to Mid-West's Calgary office on the same day (MIE 8-3).

After some negotiation Barber-Ellis, Regina, raised the price on one of the items in its Regina price book to correspond with the Mid-West price for the same product (MID 22-1A). Mr. Lebeau acknowledged the advice of this upward change by Barber-Ellis in a letter dated September 1 to Mid-West's Regina manager, in which he said:

" . . . "

We are pleased to have your word that B&E have changed their prices to conform with ours.

" . . . "

(MID 22-1)

Mr. Lebeau wrote to H. Mills, manager of his company's Edmonton branch on September 1:

"Clark Brothers sent new copy of their Edmonton Fine Paper Division price list to Mr. Colin Ross in Winnipeg all of which would seem natural. We have seen this book.

Will you kindly obtain copy for the writer as we would like to have a record in this office of all competitors Fine Paper Division price books.

At the same time, it would be well to have Bill Anderton double check their book with ours for pricings, listings, etc. and if there are any discrepancies endeavor to have them straightened out immediately. We will appreciate having a record of these differences if any.

Please advise when this job has been done."

(MIE 7-2)

On September 30, 1948 Mr. Mills replied:

"We have finally checked through the recent Printers list as published by Clark Brothers and compared the prices with those listed in our own list.

We find the following discrepancies which you might check with Clark and advise as to what we should do to equalize our prices on these listed items:

On Page 43 we list Raw Hide Coated Cover at \$7.50 and \$9.50. Clark list Jutex Cover, which I believe is the same quality, at \$6.70 and \$8.30.

On Page 36 we list Stag Blanks 3-ply at \$5.50 and \$6.90; 4-ply at \$6.40 and \$8.10; 6-ply at \$8.00 and \$9.90; 8-ply at \$9.90 and \$12.30. Clark Bros., on Page 35, list Stag Blanks at the following prices: 3-ply \$5.30 and \$6.60; 4-ply \$6.20 and \$7.70; 6-ply \$7.60 and \$9.50; 8-ply \$9.50 and \$11.80.

Also on our page 36 you will find differentials in the prices of Alliance Enamel Blanks as compared to their prices listed on Page 35.

On Page 37 we list Railroad Board, 4-ply, at \$8.00 and \$10.10; 6-ply \$10.30 and \$12.90. Clark Bros. on their Page 35 list 4-ply \$7.70 and \$9.60; 6-ply \$9.80 and \$12.30.

These were the only discrepancies which we found in checking through this book. We would be very interested in hearing from you as to what action we should take to bring our prices into line."

(MID 20-1B)

Apparently Mr. Lebeau took the subject matter of this letter up with Clark Bros. in Winnipeg as on October 7, 1948 he again wrote to Mr. Mills:

"Your letter of September 30th re Clark Brothers price book.

Would suggest that you get in touch with Joe Taylor about these discrepancies and by that time he no doubt will have heard from his Head Office in Winnipeg.

Dealing with your letter paragraph by paragraph as follows:

- 1) Rawhide Coated Cover is #1 grade whereas Jutex Cover is #2 grade, the prices are correct and you will find this listed on Hodder-Moffitt sheet 534A.
- 2) Stag Blanks you will find on Hodder-Moffitt sheet 642, your prices are correct.
- 3) Reliance Enamel Blanks you will find listed on Hodder-Moffitt sheet 644 you forgot to give us the comparison of prices and as we do not possess a Clark Brothers Edmonton price list we can not double-check.
- 4) Railroad Boards you will find listed on Hodder-Moffitt 642 and your prices are again correct.

It is difficult to understand how errors of this kind can be made when everything is so clear and understandable in the Hodder-Moffitt sheets.

Please get same squared away with Joe."

(MID 20-1A)

Mr. Lebeau was examined on this letter:

"Q. . . . Who is Joe Taylor?

A. The manager of Clark Brothers' branch in Edmonton.

Q. . . . In the second paragraph where you say that you suggest he get in touch with Joe Taylor and by that time he will no doubt have heard from his head office in Winnipeg, does that mean you had been in touch with the head office here about the errors in their prices?

A. Not necessarily.

Q. What do you mean by that?

A. Just that the letter is self-explanatory. I am putting over the thought to him that those prices appear in the Hodder-Moffitt sheet. Those prices in the Clark Brothers sheet should have been the same as ours, and where their prices were lower than ours we would meet them in the same way as usual because it is our policy to meet competition.

If they were wrong and they were going to bring them up to snuff, we were not going to lose on it.

Q. Where do you find that, that you would meet competition?

A. It is a standing policy of our company.

Q. You do not suggest that to him. You say to get in touch with Joe and he will have heard no doubt from his head office. Please get same squared away with Joe. There is no question of meeting the prices?

A. I do not consider it necessary to tell our branch managers in every letter or every week to meet prices; that is our standing policy.

Q. Your definite instructions there were not to meet the prices but to get in touch with Joe?

A. If Joe's prices were out of line in comparison with Hodder and Moffitt and if Joe wished to change them, fine.

Q. Joe was going to change them because you had spoken to his head office?

A. No, not necessarily.

Q. You say 'not necessarily', but you might have?

A. I doubt it very much because that is a branch price book.

Q. Why did you say 'He no doubt will have heard from his head office in Winnipeg?'

A. Didn't he say in a previous letter that Joe was writing to his head office in Winnipeg?

Q. What he actually says is that Mr. Mills -- he is writing to you in Exhibit 328 and he says:

'We find the following discrepancies which you might check with Clark and advise as to what we should do to equalize our prices on these listed items.'

A. We have never made a practice of checking price books in Winnipeg for Regina or Edmonton, to my knowledge.

Q. He states that you check with Clark, which must mean his head office?

A. Our branch managers make a lot of smart suggestions.

Q. It would appear from your letter, I suggest, that that particular smart suggestion was followed up by you because you were in no doubt that Joe would hear from the head office?

A. What date was that?

Q. In 1948, October.

A. I do not recall it.

Q. You can recall that you have, on occasions, spoken to Clark Brothers about prices that you consider incorrect?

A. About a branch book?

Q. About any book?

A. A Winnipeg book, yes, but not a branch book."

(Evidence, pp. 2364-67)

Arrangements and agreements in effect among the Prairie merchants operated effectively during the post-war period and the illustrations in the evidence, of action taken to reduce the price and trade practice differences of the merchants to insignificance, demonstrate this to be the case. On November 18, 1948 D. Williamson wrote to Ivan Moffitt as follows:

"A point comes up on which we would like your comments and observations on Eastern practice.

Are these direct Mill Shipments designed only for the trade or may they also be sold to Consumer ?

Clark Bros. point out that large national concerns such as B. A. Oil Co. could not justify placing orders in the West because of the disparity in cost between an Eastern cost plus freight and our regular cut-to-size Schedule (stated to be almost 20%). Clark Bros. have been selling such concerns on the direct mill shipment basis both as to quantity and price and this is being challenged and will likely come up at our next meeting.

Clark Bros. themselves have initiated the query."

(HOU 2-3)

An incident in late 1948 shows how Mr. Nelson of Barber-Ellis, Winnipeg, dealt with what he thought might be competition. Mr. Nelson reported on November 19 to K. W. Murphy that Hillier Paper had shipped five tons of "Niagara Offset" to a printer at a quarter of a cent or half a cent a pound less than the regular price of Offset and he wanted Murphy to take the matter up with "Provincial Paper Mills and ask them

If they know anything about a cheaper grade of Offset being put on the market and if they intend to do anything about it, because our printer said that as far as he was concerned it looks just as good as No. 1 Offset" (BET 10-5). Mr. Nelson later found out that the paper sold in this deal was No. 1 litho and not offset and advised Mr. Murphy that "on this basis its quite legitimate to charge it out at a lower price . . ." (BET 10-4). Mr. Murphy took this matter up with Mr. Jewett of Provincial and on November 29 wrote to Mr. Nelson:

"With further reference to your letters re Niagara Offset, this was taken up at the Paper Trade meeting by Mr. Jewett and Eddy's assured him that they did not make a Niagara Offset. They only make one grade which is Wellington Offset.

The E. B. Eddy Co. do make a Niagara Litho and this stock is approximately 1/2¢ a pound cheaper than Offset, so I think if you go into this matter carefully you will find Hillier is selling Niagara Litho. You of course can sell Oxford Litho at the same price.

If you find later that Hillier has cut the price on Offset paper, I would suggest you take it up with Williamson."

(BET 10-3)

(d) British Columbia

The "Rules and Regulations" of the P.D.C., as in effect from February 5, 1935, provided in part that all irregularities coming to the notice of members would be reported to the secretary who would investigate the same and, if necessary, conduct a systematic audit of the sales records of the member complained of; and they made various ancillary provisions designed to facilitate the secretary's examination.

As has already been stated in Chapter VI, the four original fine paper merchant members of the P.D.C. made signed application for membership and agreed "to abide by the Rules and Regulations . . . approved by the Council" (PDC 102-2). One rule was to the effect that members must definitely agree to abide by established prices and terms of sale.

It was apparently the case that the members of the Fine Paper Division of the P.D.C. did not often call on John Cowan, the secretary, for assistance in settling such difficulties as arose. However, Mr. Cowan's annual reports to the P.D.C. show that complaints from the fine paper merchants were on occasion brought to him for attention. Thus, in his annual report made on February 1, 1938 he said:

" . . .

. . . there have been two or three investigations with respect to the Fine Paper Section.

. . ."

(PDC 35-2)

Mr. Cowan made another report on February 7, 1939 in which he referred to a register of complaints which he kept. This showed that in the past year there had been two complaints which were classifiable either as "important or instances where the principle involved called for special mention" (FDC 59-54).

Although few complaints were made by one British Columbia merchant against another, the members of the Fine Paper Division continued, occasionally, to use the facilities provided. This is illustrated by a complaint made to John Cowan on June 28, 1943 by F. Smith of Smith, Davidson & Wright:

"We are advised that the Coast Paper Company are not observing the schedule of cutting charges agreed upon by the Paper Distributors where a minimum charge is to be made, but are billing this out on the basis of 1,000 pieces and we shall be glad if you will take this up with them and ask them what they are doing about this.

The point is that where a minimum charge is shown, no less charge can be made, no matter what the quantity is.

We have a definite case brought to our attention and shall be glad to have your report on this in due course."

(SDW 17-12)

Mr. Cowan must have taken up the matter with Coast Paper without delay for, on July 2, he replied to Mr. Smith's letter:

"Since receipt of yours of June 28th, I have been in touch with the Coast Paper Ltd., who have just informed me that as a result of investigations they found their desk clerk had been erroneously quoting and billing the minimum price with regard to cutting charges.

However, I am advised that the employee concerned has been directed along the proper lines and that all causes for complaint in the connection noted should be eliminated during the future.

The principals have expressed regret and offer sincere apologies; also the hope that the Member or Members involved have not been unduly inconvenienced."

(SDW 17-10)

A complaint which was made to John Cowan by an unnamed fine paper merchant on February 10, 1947 shows that when agreements were broken corrective action was taken by the non-offending parties:

"We would like to draw to the attention of the Chairman of the Fine Paper Division that one of the members distributed

fine paper price lists prior to the agreed date. We have one case where a customer received a fine paper price list from a member on the 8th of February, whereas, the agreed upon date was the 10th. We would like this matter drawn to the attention of the members of the division."

(CCL 10-55A)

Mr. Cowan referred this complaint to H. E. Miller of Columbia Paper who at the time was chairman of the Fine Paper Division of the P.D.C., and when so doing closed his letter as follows:

"I shall be glad if you will make the necessary arrangements to investigate the matter and advise me in due course of the reply which should be made to the communication in question."

(CCL 10-55)

Several witnesses gave evidence on the methods used and the understandings in effect in British Columbia. One of these witnesses was F. L. Arthurs of Barber-Ellis, Vancouver, who had attended meetings of the merchants, off and on from 1935, and had been sales manager of his firm from 1944. Mr. Arthurs' evidence included the following:

"Q. Would it be fair to say that you were aware of the fact that one of the purposes of the organization of the council was to see that prices were maintained?

A. Well, I don't know about the word 'maintained'.

Q. Adhered to, if you like that word better?

A. In other words, that a price list is a price list, and that as such any firm that put out a price list will sell according to that price list.

Q. And that was the understanding of the members of the council, was it not?

A. Well, it was my own understanding of it.

Q. And you expected other people to do the same?

A. Yes."

(Evidence, pp. 2828,9)

"Q. . . . Were you aware of the fact that you could make complaints to the secretary, if you desired to do so, rather than direct to another member?

A. Yes.

Q. You were aware of that?

A. Yes.

Q. And how was it that you, yourself, did not make complaints to the secretary?

A. I, myself, and so far as I know Barber-Ellis, have never made a complaint to the secretary, and we have never been investigated by the secretary as shown in that preamble.

Q. Was that because of the relationship which existed between members of the fine paper division, that you thought you could talk to them direct?

A. A friendly relationship between all of us. There are four or five paper firms in Vancouver, and we all know each other very well, and we are all on a friendly basis. And if there was anything of that nature ever came up, I would just go to them direct, if I felt so disposed."

(Evidence, pp. 2834,5)

F. Smith, the first chairman of the Paper Distributors Council and prominent in the trade in British Columbia for many years also gave evidence which indicated that because the basic agreements were being well observed there were few causes for complaint:

"Q. And would other houses agree with you that they would stick to their price lists, published price lists?

A. That was the general understanding, that we would keep to our prices. We have been buying from the same mills, at the same cost, and selling on the same basis.

Q. And if they did not stick to their prices, you would complain, would you?

A. Apparently we had that arrangement, but I don't remember making a complaint, at all.

Q. Was that because they stuck to their prices?

A. Generally speaking, yes. I would hear sometimes of somebody doing something, and making an inquiry about it, and giving a good explanation. They would say, 'We are trying to get rid of it, trying to get it out. We will not have any more of it.' I have done the same thing, so I could not very well complain about their doing it.

Q. So that, actually, the fine paper business worked pretty smoothly, did it?

A. It worked fairly satisfactorily to the mutual satisfaction of everybody."

(Evidence, p. 2929)

H. E. Miller, president of Columbia Paper since 1945 and also president of the C.P.T.A. in 1950 gave evidence as to his understanding of the arrangement:

"Q. I suggest to you that you left the meeting, after those corrections had been made, with the prices then arrived at for the various items, which were the established prices mentioned in these rules and regulations, isn't that correct?

A. I do not know anything about the rules and regulations. As I say, honestly, I never read them, but those prices are established prices. You are asking me if they have always been adhered to.

Q. No, I do not want any misunderstanding of that. I am not asking you whether they have always been adhered to. What I am asking you is this. Wasn't it your understanding that they were supposed to be adhered to?

A. Yes, sir.

Q. By your company?

A. By Columbia Paper Company.

Q. And by other companies?

A. Yes, sir.

Q. You were not supposed to deviate from those prices?

A. I would say were not supposed to, but we all did.

Q. But when you do you are, in effect, breaking an agreement not to, isn't that correct?

A. It is done.

Q. But is it correct, when you did deviate from these prices you are, in effect, breaking an agreement you have entered into not to deviate; is that correct?

A. Well, we, the Columbia Paper Company, decide those prices and the other houses, I presume, are to keep those prices, but they are not always kept.

Q. I appreciate that, Mr. Miller, I think that is what you said before. What I am asking you is this. Isn't it your understanding that if the other houses do not keep those prices they are breaking an agreement that they have made with you to the effect that they would keep the prices?

A. Yes, sir."

(Evidence, pp. 3064,5)

(e) Job Lots, Odd Lots and Clearance Lines

Paper merchants, like most merchandisers, sometimes find themselves in possession of stock that because of some defect, whether in its manufacture or because of age or rough handling in the warehouse, cannot be sold at regular prices. In addition, a merchant will on occasion accumulate quantities of paper which, because they have no place in his stocking programme, or because the quantity held is very small, create a disposal problem.

It would clearly be impossible for the merchants to devise a pricing formula that would cover, in advance, all such special circumstances. It is also clear that if some control were not exercised over the offering of a paper at lower than the normal price, merely because it was classified as a job lot by the merchant, the whole complex price structure would be endangered.

Job lots can come into the merchants' possession in different ways. One of these is that the mill making the paper offers it for sale as a job lot or in other words as an off-standard lot at a less than normal price and the merchant buys it. Any considerable supply of job lot papers from the mills would constitute a threat to the pricing policies and practices of the merchants, and on occasion, with some success, they have made representations to the mills that the mills should not offer job lot papers. Another cause of job lots is the rejection of paper by a merchant's customer on the ground that it is not up to standard or suitable for the particular job for which it was ordered, thus leaving it on the merchant's hands.

In each of the sets of by-laws covering the Ontario Fine Paper Council, the Paper Distributors Council of B.C., the Prairie Fine Paper Council and the Quebec Fine Paper Council there were provisions covering job lots. Basically, these involved the secretary of the group being informed as to all particulars of job lots offerings by individual merchants and the dissemination of this information to all the merchants with warehouses in the territory in which the offering was made.

(i) Ontario

Available records covering meetings of the Ontario Sub-Section show that offerings of job lots were regularly approved by the members before the paper was put on the market. The following quotation from the minutes of an Ontario Sub-Section meeting, held on September 30, 1941, illustrates this:

" . . .
JOB LOTS Job and odd lots were approved as submitted by:

Fine Papers (London) Ltd.,
United Paper Mills Ltd.,
Buntin Gillies & Company, Ltd.

It was agreed to enforce the understanding that all invoices covering job and odd lots shall be clearly marked to indicate that such items are 'job'.

The following ruling was adopted by unanimous vote:

No job or odd lot of writing and bond papers, white or colours, shall be offered or sold at lower than the prevailing warehouse resale price on No. 7 Bond.

Items already listed as job or odd lots are not necessarily subject to the foregoing condition.

" . . ."

(FNE 15-42)

The ruling incorporated in the first part of the minute quoted above was still in effect in early 1949 and was at that time to be found on sheet No. 186B of the Hodder & Moffitt Schedule (HOT 34-1-40).

An illustration of the fact that approval was not always given to the proposed offering is found in the minutes for the Ontario Sub-Section's meeting of February 9, 1943:

""

An odd lot of Tariff Paper was approved for offering as submitted by Buntin Reid Co. Limited. On a lot of sub-standard Bond Paper in the hands of the same company, it was suggested means might be found to dispose of this for conversion purposes rather than to offer on the market generally.

""

(FNE 11-39)

Sheet No. 186B of the Hodder & Moffitt Schedule, referred to above, was dated February 20, 1945, which was the date of a general revision of the schedule. This sheet incorporated the various rulings affecting the offering of job lots and odd lots in the Ontario territory and a considerable amount of documentary evidence both by way of minutes of meetings and notices and correspondence with respect to various offerings establishes that dealings in job and odd lots were generally governed by these regulations. The sheet reads as follows:

"JOB AND ODD
LOTS

Ontario members shall not offer job or clearance lots by their salesmen or by circular in Central territory east of a line running north from Kingston and passing through Sharbot Lake; nor shall Quebec members offer job or clearance lots west of the same line.

In Maritime territory job or clearance lots may be offered by Ontario and Quebec members through their salesmen only, and not by circular through the mail.

All invoices for job or clearance lots shall be plainly marked in such manner as to indicate that the sale is made as a job or clearance lot.

Any job or odd lot received or purchased by a member shall be made available to other members in the territory, subject to usual provisions as to prior sale, at the resale price less usual trade discount as on regular goods.

Before offering any job or odd lot a member shall:

- (a) Submit samples and details, including proposed offering prices, of all lots of 1,000 lbs. and over to a meeting of the Sub-Section.
- (b) Report to the Secretary full details of all job or odd lots of less than 1,000 lbs.

Details of all job lots, as above, shall be circularized by the Secretary to all members in the territory.

Job and odd lots to be filed shall include items of lines listed in price books, and other lines such as Boxboard, etc., not regularly listed in price books issued by members. Exceptions are made for Coated Book and Litho Seconds, Coated Blank Seconds, Coated Blotting Seconds, Gummed Paper Seconds.

No job or odd lot, including Seconds, Retrees, M's, N's, shall be combined with regular grade stock to make up the quantity of an order.

No job or odd lot of writing and bond papers, white or colours, shall be offered or sold at lower than the prevailing warehouse resale price on No. 7 Bond.

All job and odd lots shall carry a mark-up over net cost at least equal to the rates applying to regular grades."

(HOT 34-1)

The prices approved by the Ontario merchants for job lots were generally those suggested by the merchant making the offering. It seems that some distinction was made between job and odd lots on the one hand and clearance lots on the other. In the former case the usual mark-up was taken although on the basis of a lower than usual cost. In the case of clearance lots, the problem seems to have been the merchant's desire to get rid of some paper at less than the regular price and mark-up because through depreciation or for some other cause which had taken effect after he purchased it from the mill it had become unsaleable at the regular price. There are examples appearing in the evidence where such items as discontinued lines, sub-standard lots and clearance prices are involved. Although in these cases the normal rate of mark-up probably did not prevail the actual prices to be charged by one merchant were approved by all the members.

An Ontario Sub-Section meeting was held on January 22, 1948, the same day that the sales manager of United Paper Mills wrote to the company's branch in London and said:

"With reference to your order for 14,000 sheets half size Crescent Index White 110 M, the Association has decided to put a special price on these goods of 16½ cents lb. for White and 17½ cents lb. colors net, no quantity discount.

We think it would be advisable to bill your customer at this price on the lot you have already sold."

(UPM 8-3)

There was no mention of this decision in the minutes of the meeting but on January 26 Ivan Moffitt wrote to the Ontario Sub-Section members and said:

"Re Index Bristol, Side Run, 15½ x 25½.
A flat clearance price to apply to all grades and in all quantities:

White - 16½¢ per lb.
Colours - 17½¢ " "

No quantity discount. Regular terms - 2%-20th.

This offering to be confined to territory of Kingston and West in Ontario."

(HOT 22-7)

Apparently in this case the disposal problem arose because the index bristol was not in standard size sheets.

The members of the Ontario Sub-Section held a meeting on March 13, 1948 and the following is quoted from the minutes:

" . . . "

JOB LOTS

A stern warning was voiced that unless a firm stand is taken on the acceptance of job or odd lots, the offering of these items will be the cause of disruption in the market.

Some lots of Offset and Litho papers as submitted by Fine Papers Limited were approved for offering; also a lot of Ledger paper submitted by Whyte-Hooke Papers Ltd.

" . . . "

(HRP 1-15)

Standard procedures with respect to the selling of job lots continued in the Ontario Sub-Section after this inquiry started. Thus, the following is found in the minutes for a meeting held on June 29, 1950:

"JOB AND ODD LOTS"

As odd items and overstocked items accumulate in every warehouse from time to time, it was agreed to prepare and circulate composite lists of such items periodically, the first to be made up at the start of July.

An odd lot of Ivory Offset as submitted by Buntin Reid Paper Company was approved for offering.

" . . . "

(HOT 56-1)

On July 4, 1950 Hodder & Moffitt sent the following circular letter to each of the Ontario Sub-Section members:

"Buntin Reid Paper Co. Limited have in stock the following quantities of Special Offset Ivory which was bought at the regular price of Offset Book White, and which they propose to sell as follows:

1/2M Sheets	\$19.00	cwt.
500 lbs.	17.25	"
1,000 lbs.	16.00	"
2,000 lbs.	14.35	"
Less than 1/2M Sheets	22.00	"

The stock is 35,151 sheets, 25x38-160M

This offering will be made in the territory of Kingston and West in Ontario."

(HOT 54-1A)

The principal difference between this letter and one that had been written to Hodder & Moffitt by Buntin Reid on June 21, 1950 was that in the letter of July 4 the territorial reference had been added.

(ii) Quebec

The merchants with warehouses in the Quebec Sub-Section territory of the C.P.T.A. had arrangements concerning job and odd lots which were similar to those in effect in the Ontario territory.

There are indications throughout the documentary evidence that the job lot question was regularly dealt with in the meetings of the Quebec merchants. The following quotation is from the minutes for a meeting held on January 23, 1941:

" . . . "

Coated Seconds

Request was made to have Coated Seconds reported monthly on the Job Lot lists and it was agreed there was no necessity for it as these are a regular line for which there is an established resale."

(CRW 22-3)

The requirement that job lot paper be in some way different from that normally stocked and sold is illustrated in the minutes of a Quebec Fine Paper Council meeting held on June 2, 1941:

"JOB LOT" Request for permission to dispose of some items in stock in Ottawa as Job was not concurred in as it was felt the majority were regular stock items.

" . . . "

(CRW 22-25)

Minutes of a Quebec Sub-Section meeting held on December 20, 1945 mention certain arrangements which had been effective with respect to job lots:

" . . . "

JOB LOTS Past agreements respecting Job Lots as circularized by the Secretary, and as noted below, were reaffirmed, with action to be taken to remind the Mills of their part in the agreements.

Classification

Job Lots are to consist only of
1. Shopworn or damaged items,
2. Lines being discontinued,
3. Items purchased as Job.

" . . . "

Discontinued Stock Lines

Any stock line being discontinued by a member is to be offered to any other member or members continuing to carry the line before being offered to the trade as a job lot, such member or members to have the privilege of purchasing it at a cost of the mill price less loyalty and maximum quantity discount.

The interested mill is to be notified of such discontinuation and requested not to sell the member that particular line for a period of six months and then only upon the member undertaking to re-stock the line.

Respecting job lots of items such as Padding Board and Patent Coated Newsback produced by mills not members of the Book and Writing Section, the consensus was that these are a matter for the merchants individually as they are offered.

Current direct offering of a lot of Offset Paper is to be refused and the Secretary of the Book and Writing Section requested to remind the mill concerned of the agreement as above.

... "

(TH 12-13)

The "Mill Job Lots Agreement" referred to above was covered in a minute of a Book and Writing Section meeting held on November 29, 1938, which is quoted in Chapter V, page 162.

A Quebec Sub-Section meeting was held on January 31, 1946 and the minutes show that "Job Lots" were again discussed:

" . . .

Report was received from the secretary that he had been advised there was no firm understanding regarding Job Lots so far as the Mills were concerned. The Secretary of the C. P. & P. A. had advised the Mill Job Lots Agreement as detailed in the minutes of the meeting December 20th, 1945, had only been put into effect for a trial period which had elapsed.

It was thereupon agreed to request the Ontario Sub-Section to reaffirm the Mill Job Lots Agreement as detailed in the minutes of the meeting of December 20th, following which the Mills Relation Committee is to be asked to seek renewal of the agreement by the Mills.

In the meantime, the agreement is again reaffirmed as being in effect and any direct offerings of Job Lots by the Mills are to be reported to the Secretary for reference to the Secretary of the Book and Writing Section as though the agreement was in effect with the Mills.

" . . . "

(MCF 8-30A)

There were discussions on the job lot problem at a later date between representatives of the mills and the merchants, but the evidence does not make clear that any agreement such as that of November 1938 was again formally recognized as being in effect.

A Quebec Sub-Section meeting minute for June 26, 1947 shows that individual attention was given to each proposed job lot offering:

" . . . "

JOB LOTS One lot of one item of Bristol and a few items of Mayfair Cover in odd sizes which a member was desirous of offering as 'job' were not questioned.

A considerable quantity of Mayfair Cover in size 24 x 36 and of No. 3 Book, 20 1/2 x 28, are not to be offered as 'job' subject to review in the Fall. In the meantime, the other members will assist as much as possible in the regular disposition of these items.

" . . . "

(LIT 7-38)

A letter written by R. G. Johnston of Hodder & Moffitt, Montreal to the Quebec Sub-Section members on August 29, 1947 illustrates a practice with respect to reporting job lots which was still being followed by these merchants when this inquiry started:

"September 1st is the next date for reporting any job and odd lots which you may propose to offer to the trade."

New lots, by the way, may not be offered to the trade until the 10th of the month in which they are listed."

(JBR 13-8B)

At the time this inquiry started, the members of the Quebec Sub-Section apparently had an agreement among themselves that they would not purchase job lots from the mills as the following appears in the minutes for a meeting held on October 29, 1948:

" . . . "

Job Lot offerings were considered to be a matter for the attention of the Central Section and the question is to be referred to it. In the meantime, there is no change in the present local understanding that Job Lots will not be purchased.

" . . . "

(KRV 1-11)

The agenda for a Central Section meeting to be held on January 20, 1949, as notified to the members by Ivan Moffitt, included the following item:

"2. Job Lot - as to extent of offerings and methods of distribution."

(TH 10-1)

The minutes for the meeting do not make any reference to the subject.

(iii) Prairies and British Columbia

The job lot problem was apparently not one that caused the merchants in the Prairie and British Columbia sections of the C.P.T.A. very much trouble. Apparently this was in large part because the manufacturers did not offer these more distant distributors job lots for disposal.

The evidence indicates that the Prairie and British Columbia merchants did keep the members of their own groups informed as to what papers they were offering for sale at lower than regular prices and that somewhat informal arrangements satisfactory to these groups were observed within them.

The following letter, written by A. E. Nelson, then manager of Barber-Ellis, Winnipeg, to Mid-West, Clark Bros. and Hillier Paper on May 11, 1948 covers a case where approval of a price reduction was requested before the offering was made:

"About a year ago we purchased some Olde Vale Antique and when this paper arrived it turned out to be very poor quality, it has a poor finish and it is dirty in color, and we have tried every way we know to sell this stock during the past twelve months.

The writer is now asking permission to clear this as a jobbing item at 12¢ lb. and before offering it to the printers I want to give you chaps due notice and you might let me have your reaction."

(HPC 1-1)

It was argued in the course of this inquiry (as also in the case of other inquiries involving somewhat similar circumstances) that there is nothing objectionable in the exchange of information among merchants relating to special offerings for special reasons at special prices. Exchange of such information, it was stated, may serve to facilitate the disposal of stocks of such goods by making their existence known to merchants who might have customers for them. It was further stated that the practice serves simply to avoid disturbing price fluctuations which are based on the misapprehension that the merchant offering has lowered his general price structure and which serve no useful purpose of any kind. Undoubtedly the exchange of such information might upon occasion be quite innocent and if confined to the purpose of facilitating sales might well serve a useful purpose. The practice relating to job lots, as described in these pages, was not so confined and it must be regarded, not in isolation, but as part of and having the purpose of supporting an over-all agreement to maintain prices, and as a measure taken to ensure that the principal agreement would not be weakened by subsidiary action taken independently.

VIII. Mill-Merchant Relationships Including Relationships
Under the Loyalty Discount Agreement

(a) Loyalty Discount

The loyalty discount arrangement, which was operative when this investigation commenced, had been in effect for many years and its essential conditions were known to the merchants and the mills. The written record nowhere contains a modern and comprehensive exposition of the arrangement. In some part this was because of its basic simplicity and in other part because the arrangement had, over the years, been woven into the trade in fine papers. The arrangement meant, generally speaking, that on sales of the papers embraced thereby, the mills gave their merchant customers a discount of 5 per cent, provided that the merchant in the relevant period, had made no importations of the grades of fine papers which the mills ordinarily manufactured. An additional reason, perhaps, why the arrangement was not reduced formally to writing, was that the mills were not entirely sure of its legality.

Before describing the historical development of the loyalty discount the more general conditions under which the discount was being allowed in 1948 may be mentioned.

In 1948 the fine paper mills allowed the 5 per cent loyalty discount to a recognized fine paper merchant, if the merchant qualified, on almost all the fine paper grades that he sold with the only major exception being litho papers. The discount was allowed after several procedural steps and requirements had been taken and met.

The procedural steps were as follows: Once every two months W.J.T. Adamson & Co., a firm of chartered accountants in the city of Montreal, sent each qualified merchant two printed forms. One of these forms was headed "Coated Papers" and the other was headed "Book and Writing Papers". Both of these forms bore the following statement to be completed by the merchant:

"Application for Loyalty Discount

To W. J. T. Adamson & Co.,
620 Cathcart Street,
Montreal, P. Q.

The undersigned hereby request you to transmit to the various mills from which we have made purchases during the months of and our application for loyalty discount for these months.

We certify that during the period above referred to we have not imported paper from abroad which we could have obtained in Canada, and that we have conformed to all the requirements of the Loyalty Discount Agreement.

We attach hereto list of our importations for the two months, together with the particulars required.

Signed

Per

Address

Date"

The reverse side of these forms was prepared for the listing of importations with columns headed - item, description, quantity (lbs.), value and country of origin. At the top of this side of each of the forms there was the following inscription:

"DETAILS OF IMPORTATIONS

(Loyalty Discount Regulations require full information as to importations, regardless of whether they come within the category of papers produced in Canada or not)."

(AD 200-1)

When the merchant completed the application form it was returned to W. J. T. Adamson & Co. Summaries of the applications were then prepared for both the coated paper and the book and writing paper. These summaries set out the names of the merchants making application for the discount along with particulars of any importations reported by these merchants. A copy of each of these summaries was then sent to each of the mills. The summaries were then examined by officers of each of the mills and Mr. Adamson was informed as to the attitude of each mill concerning the merchants' applications for loyalty discount. When all the mills had notified Mr. Adamson in writing, of their opinions on the various applications, he would, if such opinions were favourable, send each of them a notification along the following lines:

"The applications for Loyalty Discount for the months of July and August 1947, as per the attached list have now been approved by the Mills concerned.

It is, therefore, in order to issue the usual credit notes."

(AD 1-6E)

The attached list would have the name of every merchant qualified to receive the loyalty discount at this time. If one of the mills objected to importations that had been made by one of the merchants and advised Mr. Adamson that in its opinion the loyalty discount should be withheld, the name of that merchant would not appear on the list sent out by Mr. Adamson at this stage. If a merchant's name was not on the list - and it could be kept off through objection by any mill whether or not it sold that merchant - none of the mills would allow the loyalty discount until the objection had been removed. After their applications had been approved by all the mills the merchants received credit notes from each mill for the amount of the loyalty discount payable by the particular mill to the particular merchant.

It might be added here that certain envelope manufacturers and converters also applied for and received the loyalty discount although they did not get it on such a broad range of papers as did the merchants.

After being instructed to do so at a Book and Writing Section meeting on June 17, 1937 A. E. Cadman, then the secretary of the section, prepared

a report on the loyalty discount "showing the original arrangements and the various regulations that have been made from time to time over the past few years".

On July 8, 1937 Mr. Cadman sent a copy of his report to E. H. Smith. Mr. Cadman described the original arrangements as follows:

"Feb. 23, 1921:

'It is hereby agreed by the members of the Book and Writing Section, as a whole, that a loyalty discount amounting to $2\frac{1}{2}$ per cent shall be allowed on all purchases of paper, for resale and not for conversion to jobbers who conform to the terms of this agreement:-

'The jobbers, upon their part, agree that in order to be entitled to this discount, they will import no paper except such as may be unobtainable from the mills comprising the Book and Writing Section and that each jobber shall file with the office of the Section samples and details of such papers as can be said to come under the category above mentioned.

'The jobbers further agree that in order to be entitled to this discount they shall submit individual applications therefore to the mills on the first day of April, July, October and January accompanied in each case by a declaration that the applicant has conformed to the above requirements which declaration must be acceptable to the Book and Writing Section as a whole, upon which acceptance the Section shall direct payment to be made by the individual mills.

'This agreement to be effective as and from 1st January, 1920, subject to cancellation by either party thereto upon ninety days notice being given.' "

(HS 25-9)

It seems possible that the date in the last paragraph quoted should have been January 1, 1921, if the date of February 23, 1921 at the head of the quotation is correct. Whichever date is correct the situation was that by February 1921 the loyalty discount agreement was in effect and the various parties to the agreement included the members of the Book and Writing Section and the C.P.T.A.

In 1922 the loyalty discount agreement was extended to cover converters and envelope manufacturers.

The rate of the loyalty discount was increased to $3\frac{1}{2}$ per cent in 1922. The following quotation appears in Mr. Cadman's report, under the date of January 10, 1924:

"Jan. 10, 1924

'The Committee appointed to revise the Loyalty Discount agreement submitted a report, which, after discussion was amended to read as follows:

'It is hereby agreed by the members of the Book and Writing Section, that a Loyalty Discount, amounting to 5 per cent shall be allowed on all purchases of paper for resale to jobbers who conform to the terms of this agreement.

'The Jobbers, upon their part, agree that, in consideration of the allowance of this discount, they will not import any paper (including esparto papers) except such specialties as the Canadian mills may be unable or unwilling to supply, and not then until the Canadian mills have been given due opportunity to compete in quality and price with the foreign offering by the filing with the office of the Section of samples and details of such papers as can be said to come under the above mentioned exception. The Book and Writing Section and the Jobbers' Association shall each appoint one member, these two to form a committee to pass upon all requests for exceptions and departures from the foregoing regulation, their decision to be final. In case of a disagreement the two representatives shall call in a third party as arbitrator.

'The jobbers shall submit individual applications for the discounts to the mills, through the Association office on the first day of January, March, May, July, September and November of each year, accompanied in each case by a declaration that the applicant has duly conformed to all the requirements set forth in this agreement, which declaration must be acceptable to the Book and Writing Section as a whole, and upon which acceptance the Section shall direct payment to be made by the individual mills.

'This agreement to be effective as and from January 1, 1924, and be subject to cancellation by any member upon ninety days notice being given in writing to the Secretary of the Canadian Pulp and Paper Association.'

Upon motion, the report, as amended, was adopted and the secretary was instructed so to advise the Canadian Paper Trade Association. Upon motion, the agreement, as amended, was made to apply to Converters."

(HS 25-9)

An entry in Mr. Cadman's report illustrates that the merchants, having entered into the loyalty discount agreement, had an interest in its uniform enforcement:

"June 26, 1935

Merchants committee pointed out their desire to live up to the spirit of loyalty discount arrangement and request that

there should be uniform application of returns and conditions in the granting of the discount. Otherwise those merchants who endeavour to comply with the spirit of it, are penalised."

(HS 25-9)

Mr. Cadman's statement on the loyalty discount agreement also included a good deal of information concerning matters of detail that arose in the administration of the agreement such as the classes of persons who should be eligible for the discount and the papers on which it should apply.

Copies of minutes which were available from January 1935 to the time of the start of the investigation show that in the years 1935 to 1940 inclusive the administrative decisions concerning the loyalty discount were often made at Book and Writing Section meetings. For example, the following appeared in the minutes of the meeting of January 22, 1935:

" . . .

Applications for Loyalty Discount for the months of November and December were considered and with the exception of the British Columbia applications, approved.

The secretary reported having received no answer from the British Columbia merchants to the letter of December 17th asking for full information on imports. Columbia Paper Co. was the only one listing importations.

The secretary was instructed to write the other B.C. merchants that a reply to the previous letter was expected - in the meantime the Loyalty Discount would be withheld.

The secretary was also instructed to obtain a sample of the white wove paper imported by MidWest Sales Co.

. . ."

Further reference to certain matters raised at the meeting of January 22 is found in the minutes of the next meeting, which was held on March 27, 1935:

" . . .

MID-WEST IMPORTATION:

A sample of imported paper was submitted from Mid West Paper Sales Co. and the secretary was instructed to advise them that such paper cannot be imported without jeopardising the Loyalty Discount.

B. C. HOUSES AND LOYALTY DISCOUNT:

It was agreed that the Loyalty Discount for November and December should be granted to those merchants in British Columbia from whom it had been withheld.

. . ."

At the Book and Writing Section meeting of November 12, 1940, the "secretary reported that arrangements had been made with W. J. T. Adamson & Co. to take charge of Loyalty Discount applications . . ." The reason, as previously stated, was that the executive committee of the C.P.P.A. had ruled that the handling of discounts and similar matters should not form part of the functions of the association. From then on the routine administration of the loyalty discount agreement was handled by Mr. Adamson.

When giving oral evidence concerning the loyalty discount the witnesses usually expressed the view that the loyalty discount had long since become a trade discount and had no other meaning. This is illustrated by evidence given by A. P. Jewett of Provincial:

- "A. When I became active in the industry, the loyalty discount, whatever its original purpose may have been, had passed into usage as a trade discount, and nothing else.
- Q. Absolutely nothing else?
- A. No, absolutely nothing else. Furthermore, I do not think it even acted as a deterrent.
- Q. Did you ever attempt to use it as a deterrent?
- A. No.
- Q. Never?
- A. No.
- Q. Did you ever hold up payment of a loyalty discount to anyone?
- A. No, not that I can recall.
- Q. You say it was never anything but a trade discount; why do you say that?
- A. I don't know how far back you are going. Let me revise my answer by saying this, that in my experience I never recall any attempt made to enforce a loyalty discount."

(Evidence, p. 661)

Such evidence must have rested in part on the fact that although on various occasions the loyalty discount was withheld from a particular merchant it was eventually given to him.

There is a very considerable body of evidence that in the years from 1935 the loyalty discount agreement, insofar as it concerned importations, was asserted and some of the more recent examples of the type of action taken will be mentioned.

During the latter part of the period of wartime controls there was a ready market in Canada for fine papers of specifications which the Canadian mills could not make because of certain wartime restrictions. In addition, during at least part of this period, the demand for fine papers was greater than the mills could meet. Out of these conditions it developed that when outside sources offered paper for which there was a demand in Canada some of the merchants bought it. It was this situation that Mr. Jewett of Provincial referred to when on August 14, 1944 he wrote to Mr. Cadman:

"I think it would be appropriate to have a discussion with regard to the terms of the Loyalty Discount at the present time because we have seen some evidence of an increasing trend to import paper whenever they are obtainable."

(PIT 24-1A)

Minutes of a Book and Writing Section meeting held on September 26, 1944 show that "discussion took place on imports of paper, particularly in British Columbia" and that a four-man committee, with Mr. Jewett as chairman "was appointed to discuss this matter with the Western distributors when they came East as they are expected to do shortly."

Correspondence passing between G. A. Davidson, sales manager of Howard Smith and J. R. Nixon, then the company's western representative, in October and November 1944 shows that in making a trip through western Canada Mr. Nixon "was on the lookout and made inquiries about importations". In Mr. Nixon's report of November 10, 1944 to Mr. Davidson he referred to some conversations that he had had concerning the importation of sulphite bond papers by Coast Paper of Vancouver. In this context Mr. Nixon said:

" . . .

Just how much was involved I do not know as Mr. Davey was not prepared to give me this full information. He did say, however, it was not their intention to bring in any more Sulphite Bond as the cost was too high, (in addition to this the other Merchants took it up with Coast Paper very strenuously). As far as I could determine by conversations with the people contacting the trade, Barber Ellis, Columbia Paper, Smith, Davidson & Wright, Coast Paper are not now offering imported sulphite bond.

. . ."

(HSW 15-1A)

Mr. Davidson acknowledged this report on November 14, 1944 and said:

" . . .

Regarding importations by the Coast Paper Limited, we had some discussion with Mr. Garnett last week when he was here in regard to the importations and he assured me that they had no intention of

repeating or bringing in any more Sulphite Bond for the reasons which you have stated.

In regard to the present importations of Rag Content Bond, which they have been bringing in from the U.S. from the Gilbert Paper Company for several years, they have not been disqualified in relation to the loyalty discount because at this time neither Rolland Paper Company or ourselves are in a position to supply.
". . ."

(HSW 15-1)

It would seem from the foregoing that at this time some pressure was being brought on Coast Paper to stop importing sulphite bond papers.

In March 1946 W. H. Aird of Howard Smith had several conversations concerning importations. The "Lozier" to whom reference is several times made in Mr. Aird's memoranda on these conversations is apparently the principal of Lauzier Paper Limited which started in business in 1945 in Montreal. In a memorandum Mr. Aird set out the details of a talk that he had on March 5 with Ivan Moffitt on the "Question of the Merchants Importing American lines". The following quotations are from Mr. Aird's memorandum:

". . . .

Mr. Moffit states that in any discussion he has had with The Merchants, the general agreement is that the Mills have done an excellent job during the War years, are still doing it, and as long as the Mills keep up their present volume on tonnage to the Merchants it would be unfair to make American connections or bring in American Brands. They all would like to have more paper, but nevertheless feel that they have received and are receiving a fair deal from the Canadian Mills.

In Quebec, Mr. Moffitt felt that the situation was a little different in that Lozier, as a French Canadian has a better entry and a better connection with both French and English printers than Blake has in Toronto. Old Houses are being asked why they can't supply American Brands and Lozier can, which they feel is embarrassing. Of course, this has been going on for some time now.

. . . .

As a result of my conversation with Mr. Moffitt, my opinion was not changed. Out of a total of 12 or 13 Merchants in Ontario and Quebec, apparently only two, McFarlane and Kruger, and especially Kruger, are the only ones who have raised the question at this time.

If the majority of the Merchants, in the best interest of themselves and the Mills were requesting permission to bring in American Brands, the situation might be different. At the moment, however, there is really only one, and I don't feel that at the present time conditions are such that we are called on to create a precedent of this kind. If we give permission to one Merchant it means giving permission to all Merchants right across Canada, and they have not asked for it. That there should be more control through

the Merchants, rather than have Printers and Lithographers buy direct, in my opinion does not hold water. The printers and Lithographers will have no compunction about stopping buying from the States as and when Canadian Lines are available. For a reputable Merchant to tie up with a reputable Mill in the States is a different proposition, and two or three years from now, to break such a connection would be more difficult.

• • •

Should the Mills at any time decide to permit the merchants to bring in American Mills, then control should be exercised through the present channels in operation or Loyalty Discount."

(HS 76-4E)

Mr. Aird also prepared a memorandum which showed that on March 5, 1946 he had had a conversation with Gene Kruger of Kruger Paper, Montreal. This memorandum said:

"At first talked in generalities, but finally admitted main issue was to freeze out Lozier.

Once established would stay - yet Kruger felt if frozen out now Lozier would be saved a lot of loss later on.

Whereas Merchants in Toronto accepted Blake's position pre-war and now, Montreal had no Blake or Lozier in last twenty-five years and didn't want him now.

Stated had no intention of making long American commitments. American machine dried (not loft dried) paper was offered as temporary measure - might stop any time.

Kruger wanted our answer at once - had been offered so much tonnage - 6 weeks from now it might be gone -- doesn't want Lozier to buy it.

Said it was purely a local problem, but finally agreed that it could not be confined to Montreal.

Montreal direct sales to Printers and Lithographers had taken twenty-five years to drive out American Private Marks -- didn't want them established again.

My answer is that conditions 25 years ago and prior to were entirely different from now -- then American Brands had been established for years, or English ones, now Canadian Brands had consumer demand.

My reaction to conversation is that whilst Kruger would be delighted to receive permission to buy 10 or 20 tons of a non-standard watermarked paper, primarily to block Lozier - he will make no issue of situation if we refuse.

Kruger is not a fool and knows that his livelihood depends on Canadian Paper, especially Howard Smith -- realizes that we have done a damn good job, appreciates it, and isn't going to jeopardize his position with us -- of course if he could also buy American Papers, so much the better."

(HS 76-4D)

Mr. Aird gave evidence on the subject of this meeting with Mr. Kruger:

"Q. . . .

I take it that you would not have to explain to Mr. Kruger what might be the consequences of his importations?

A. Well, no, because at that time paper was in very --- it was hard to get. We certainly had ways and means and conditions at that time of making Mr. Kruger feel --- if he wanted to bring in 10 or 20 tons from the United States we could have very easily just held up shipment to him of 50 or 150 or 200 tons. I did not tell him that, but if we had been faced with making a decision and he had gone ahead, then it would have been up to him, subject to my president's approval, that two could play at that game. If he preferred to have 20 tons of American paper, then he could do without a lot of Canadian paper that we could sell to other distributors.

Q. Would you do that in 1946 -- March of 1946?

A. He was under a quota. But our production was going up all the time, and we had extra.

Q. Over and above the quota?

A. Yes, over and above fixed quotas controlled by the Wartime Prices and Trade Board.

Q. Which you did not ---

A. We could play with that at our discretion.

Q. So that whether or not the loyalty discount as such had any effect upon restricting importations, you had other methods up your sleeve which would be equally effective, if not more so?

A. That was the only method that I thought of using, and did use. The loyalty discount meant nothing to me in that connection."

(Evidence, pp. 1198,9)

Mr. Aird also prepared a "Memorandum of conversation with Mr. Bruce Brown (T. B. Little) in Montreal, 6th March 1946 in connection with Imports of American Papers" which is quoted:

"Mr. Brown first of all referred to Heron Index. He was not a distributor, therefore could not buy it, yet was precluded from importing equivalent grade from the States, to service his customers.

The question of Mr. Lozier, of the Lozier Paper Co. in Montreal was not a factor, and Mr. Brown would not be party to any action that might prevent a man starting up in business in the way that Lozier has done by the importation of American Papers.

What he had in mind was authorization to import some tonnage at the present time in order to service his customers under present day conditions.

He stated that Provincial Paper Mills permitted T. B. Little & Company to import American Coated Blotting, Champion Coated Blanks and Translucent Bristol. The manufacture of Coated Blotting was stopped in Canada back in 1943, and therefore, Mr. Brown imported certain lines to look after certain customers. He intends to return to Provincial when conditions change. He feels that by holding his present connections with his trade, he is strengthening his own and Provincial's position.

I pointed out the embarrassment in which Merchants would be placed, in having formed American connections, perhaps in two or three years they would try to cut them off. And, of course, if we authorized one Merchant to import papers, it would have to apply to all Merchants across Canada. I further pointed out that the next step would probably be the importation of 20# Sulphite Bonds, which would spread to Bristols, Cover etc. in a wider range of weights and colours and finishes than we were able to manufacture under present government restrictions.

After two hours of conversation, Mr. Brown agreed that the importation of paper at the present time was not necessary, otherwise, he would already have imported certain grades and advised us what he had done. He did, however, feel that we should study our position to determine what relief can be given to Rag content papers during the next two or three years, and the Merchants in Montreal would also watch the import situation there."

(HS 76-4C)

Mr. Aird's evidence with respect to this memorandum was as follows:

"Q. You say in the third paragraph --

'What he had in mind was authorization to import some tonnage at the present time in order to service his customers under present day conditions.'

What do you mean by saying that Mr. Brown wanted an authorization to import?

- A. Simply that if a merchant imports a line that is competitive with ours, we have the privilege of withdrawing the sale of our line. In other words, if you have the benefit of being one of the distributors of one of the Howard Smith advertised brands you have the moral responsibility (1) to the people you serve and (2) to the mill you represent and whose products you have been given the privilege of selling. Now, if you bring in one of the particular grades that are competitive with the grades I have given to you, you are obviously not doing the job for me. I could withdraw the sale of my line to you, because you are not doing a good job for me. That is the authorization; that was the implication of it."

(Evidence, pp. 1190,91)

Also on March 6, 1946 Mr. Aird along with Mr. Ecclestone of Rolland had a conversation on the subject of importations of American papers, with Messrs. W. D. Nelson and Edgar Reynolds of McFarlane Son & Hodgson. Mr. Aird's memorandum on this discussion said:

"We discussed the situation very thoroughly from every angle for two hours. McFarlane's were most insistent that they be permitted to import certain American lines. There was a shortage of Paper in Canada, McFarlane had access to paper in the States, and, therefore, they felt that in the interests of the Printers and Lithographers in Montreal they should be free to give them this extra paper which was available.

Mr. Ecclestone and I took exactly the same line as I had in my conversation with Mr. Kruger and Mr. Bruce Brown. The main point at issue was that we were creating a precedent and breaking down a structure that had existed for the benefit of all for twenty-five years, and that we did not think that conditions at the present time warranted us taking such drastic action.

We further pointed out that this was a matter that concerned all Mills, and that the only fair way to consider the question would be for the Merchants as a group, if they were agreed, to make a recommendation to the Mills as a group for their consideration. It was further pointed out that we should be careful in making any move that was in the best interests of all concerned, the Merchants as a group and the Mills as a group. We had worked together on a very friendly and mutually advantageous basis for a number of years and any question should be decided on the same basis of friendship and common understanding.

Finally it was agreed that no action would be taken at the present time, but that McFarlane's would watch the situation closely in Montreal, and if it became worse, even though Mr. Ecclestone and myself thought

it would improve, then the matter could be reviewed again in three or six months' time."

(HS 76-4B)

The following quotation is from Mr. Aird's evidence concerning the call made by himself and Mr. Ecclestone on the McFarlane Son & Hodgson executives:

"Q. Is it correct to say that if they did import, the threat was that you would stop selling to them; is that what you say?

A. There was actually no threat on our part in the discussion at all. But Mr. Nelson knew that if he did bring in American papers that he was doing something that one of us, one of his two main sources of supply, did not like, and that that might have some serious repercussions so far as he was concerned."

(Evidence, p.1193)

Apparently Mr. Nelson was not satisfied with the situation following his talk with Messrs. Aird and Ecclestone as on March 14, 1946 E. H. Smith wrote a letter to Mr. Aird which indicates that Mr. Nelson had called on him:

"Further to my letter of the 13th, one of the points raised in my conversation with Mr. Nelson was whether or not they had a right to import paper under present conditions. I referred Mr. Nelson to his Loyalty Discount application but neither of us had a copy available.

I subsequently obtained copies from Adamson and I am enclosing one set herewith as I thought they might be of some use to you.

You will note that this refers to the Loyalty Discount agreement but I do not believe that I have ever seen this agreement and I am inclined to think that it does not exist in any concrete form."

(HS 77-1E)

Mr. Smith, when he said "I am inclined to think that it does not exist in any concrete form" may have been referring to the fact that in 1938 a new draft of the loyalty discount agreement had been drawn up. Under this draft, new procedures for the granting of permission by the mills for the importation of certain fine papers were to be adopted as were procedures under which a recipient of the loyalty discount could be penalized if unauthorized importations were made. The proposals called for a penalty equal to 25 per cent of the laid down cost of the imported paper to be assessed against the merchant, converter or envelope manufacturer making any importation or importations contrary to the regulations. There were discussions between the mills and representatives of the paper merchants concerning these new regulations and

apparently agreement was reached on their terms. However before the new loyalty discount agreement, which was really only new because of its various limiting conditions and provisions for the handling of exceptions and penalties, was put into effect, it was referred to outside counsel and apparently on the basis of advice received the new draft was not made effective.

On March 16, 1946 Mr. Aird replied to Mr. Smith's letter of March 14 and said:

" . . .

I believe that a definite agreement does exist or that at least customers receiving Loyalty Discount are familiar with the general regulations governing it.

I am attaching a copy of my memorandum and from your letter of Feb. 9th 1938, you should have a similar copy on file.

Will you please return this memorandum to me.

Dutch Nelson stated that his interpretation of the regulations was that if he offered a grade of paper to us, or tonnage on certain grades and we were unwilling or unable to make or supply it, then he was free to import. On this basis, therefore, offering us tonnage at the present time, which is beyond our capacity to supply, and which we therefore refused, he should be able to import.

My answer was that the agreement had not been drawn up in that spirit or with that understanding. It was not drawn up at a time when paper was in short supply, or did it have any bearing on such conditions. It was drawn up at a time when certain sources were importing certain lines detrimental to the welfare of the Merchants or the Mills as a group, and the idea of a Loyalty Discount, therefore, was to seek to stop or prevent such importation. The intent of the agreement was that if there was any Specialty Line which, because of the limited market in Canada, Canadian Mills could not economically manufacture, then such a line could be imported. That is why certain Specialty cover lines, lightweight papers etc which had been imported pre-war were still being imported by certain Merchants in agreement with the Mills, and under the Provisions of the Loyalty Discount Regulations. To bring in grades competitive with our standard bread and butter lines is an entirely different proposition, and would violate the above Regulations."

(HS 77-1D)

It is probable that the memorandum to which Mr. Aird referred was one which Mr. Moffitt had discussed with Mr. Smith at a meeting in Mr. Smith's office on February 17, 1938 and concerning which Mr. Moffitt made several suggestions for amendments in a letter he wrote to Mr. Smith on February 18, 1938 (HS 10-251). On March 19, 1946 Mr. Aird wrote to E. H. Smith and said:

" . . .

Apparently the statement in your letter of March 14th that no agreement exists in concrete form is correct, in the light of your remarks on the 18th.

Nevertheless, I believe that the understanding of the Mills and Merchants is in accordance with the above memorandum. In a discussion with Mr. Ivan Moffitt some weeks ago, he referred to his copy of the memorandum, and from his conversation clearly indicated that it was his guide."

(HS 77-1A)

The Hodder & Moffitt Schedule in use in the Central Section of the C. P. T. A. at the time of this inquiry included sheet No. 982 which was headed "Loyalty Discount" and was dated May 1, 1937. Under the sub-heading "Conditions" the following appeared:

" . . .

Merchant not to import any papers that Canadian mills can and are willing to supply to compete in quality and price. Also, before making importation, merchant to submit samples and details of papers to the Canadian Pulp and Paper Association.

" . . . "

E. H. Smith gave evidence on this:

"Q. In other words, you say that the conditions of the loyalty discount, as set out here, are a fair statement of your understanding. It says ---

"Merchant not to import any papers that Canadian mills can and are willing to supply to compete in quality and price.'

A. All right; that is the gist of it."

(Evidence, p.1345)

Mr. Smith in this context was speaking of the original arrangement and not its present effect.

It was only on infrequent occasions that Mr. Adamson became involved in anything but the routine aspects of the administration of the loyalty discount agreement, and when he did so he ordinarily referred the problem to one of the mill executives or, until the time of his retirement in 1948, to A. E. Cadman. On April 2, 1946 E. Robitaille of Quebec City who had been handling Eddy's fine papers since 1940 wrote to Mr. Adamson:

"When I was appointed distributor of fine papers for the E. B. Eddy Co., I understand it was forbidden to buy those qualities of papers outside the Canada.

Meanwhile, at that time, I try to secure Nos. 1 - 2 - 3 and 4 grades for assortments from Howard Smith and Rolland paper, but they answered that they were represented in Quebec City. Since that I have been handicapped by this situation.

Today, I have had an importation offer from foreign country for grades # 1 - 2 and 3, also for coated paper which I did not have yet the opportunity to secure in Canada. What do you think about that?

Your comments will be appreciated at your earliest convenience."

(AD 2-3E)

Mr. Adamson referred the question raised to G. W. Earnshaw of Eddy who was at the time the chairman of the Book and Writing Section. On April 6, 1946 Mr. Earnshaw wrote to Mr. Adamson and said:

"We thank you for forwarding a copy of a letter which you received from Mr. Emile Robitaille, in which he asks for an expression of opinion regarding an opportunity to import rag content bond and coated paper. He enquires what bearing such importations would have on Loyalty Discount.

As the Book and Writing Section of the Canadian Pulp and Paper Association cannot deal with any matters referring to price discounts or allowances, and as the mills collectively are interested in the problem raised by Mr. Robitaille, may we suggest that you acknowledge his letter informing him that the matter will be referred to the fine paper mills for consideration.

This matter will likely be discussed on April 30. In the meantime, we do not consider it advisable that any mill should take individual action."

(EBE 7-5D)

There was a meeting of the Book and Writing Section on April 30 1946 but the minutes do not mention that this matter was discussed.

Mr. Robitaille pressed for an answer to his request and finally on June 5, 1946 Mr. Earnshaw wrote to Mr. Adamson and said:

"Re: Emile Robitaille - Loyalty Discount"

It is necessary that we give Mr. Emile Robitaille an answer to his question whether importing rag bond paper at the present time will have a bearing on Loyalty Discount he receives on his purchases.

We hold the view that the prevailing short supply situation in Canada does not alter the intended application of Loyalty Discount and for merchants to take advantage of the present short supply situation in Canada by importing paper is a violation of the Loyalty Discount Agreement.

There has been no change in Mr. Robitaille's situation in that he has not purchased rag papers from Canadian mills and we are not in agreement with his importing paper at the present time.

If you would like us to write to Mr. Robitaille direct, expressing our view in this matter, we shall be pleased to do so."

(EBC 7-5A)

Eddy did not make rag content fine papers and Robitaille was not recognized by the other mills. The implication therefore was that Robitaille had never been able to buy the grades he mentioned; that the wartime situation had in no wise altered his position in this regard; and that his normal position was that despite the refusal of the Canadian Mills to supply him with the grades mentioned, he could not seek foreign sources without jeopardising his loyalty discount on the grades he could buy in Canada.

The annual meeting of the C.P.T.A. in 1946 was held in May. One of the sessions was attended by both merchant and mill representatives and the following is quoted from a report of the meeting:

"Importations - Loyalty Discount:

The mills were questioned as to the application of the loyalty discount agreement under present day conditions when it was possible to import some items that were in short supply in Canada. It was advised that the prevailing short supply situation did not alter the intended application of the loyalty discount. The merchants were not in any different position today than at any other time and importations by recognized Canadian merchants of items in short supply in Canada was a direct violation of the loyalty discount agreement.

The mills were informed that there was no desire on the part of the merchants to request a change in the loyalty discount agreement. Clarification was sought mainly because of the importations of these items by non-recognized merchants with the very good possibility of the establishment of these merchants subsequently.

Appreciation of the Merchants' viewpoint was expressed but abnormal conditions prevailed today which precluded any action to cope with what could only be a temporary situation. It was agreed that the mills and the merchants should condition [sic] to operate fully as has been done in the past."

(APS 7-1)

The formal record of the proceedings at the annual meeting as circulated to the members of the C.P.T.A. by Ivan Moffitt had a section on the "Joint Mill-Merchant Session", which included, under the sub-heading "Loyalty Discount - Importations", the following:

"While Merchants in general have refrained from handling imports of standard items, as for example, rag content Bond Papers, some lines are being imported through other sources and meet with ready acceptance under conditions now existing of demand running ahead of domestic supply. Suggestion was made that application of the arrangement should be clarified in the light of present changed conditions which may not have been anticipated not (sic) considered as a possibility when the arrangement was originally developed.

The view was expressed that conditions as now prevailing must be considered as a temporary situation and therefore should not be taken as cause to alter the intended application of the arrangement under which Merchants receiving a discount would confine their efforts to distribution of domestic products in the standard lines of papers. The continuing mutual support of a common policy was solicited."

(HOT 28-1)

Under one of the wartime controls affecting the fine paper industry the mills could not manufacture sulphite bond papers weighing more than 16 pounds for 500 sheets measuring 17" by 22". Barkwell Paper of Winnipeg, which could get No. 7 sulphite bond paper direct from Howard Smith, imported some sulphite bond papers weighing 20 lbs. per 500 sheets measuring 17" x 22" in 1946 and both the other merchants in Winnipeg and the mills were disturbed. It was in connection with these importations by Barkwell that Mr. Aird wrote on September 11, 1946 to E. H. Smith:

" . . .

Naturally I will visit this customer as soon as possible after I arrive in Winnipeg, with a view to stopping any further importations of this 20# Sulphite Bond.

I have quite a bit to work on, based on the Rag Bond situation that we faced a few months ago and where the Merchants in the East up to date have agreed not to import.

If, however, they will not listen to reason, then it seems to me that we must take a stand on the Loyalty Discount, and fortunately it is not one of our large Distributors that is involved. Of course, I will get the feeling of the other Merchants in Winnipeg about Barkwell's importations before talking to them.

But if we do not take a stand, then we haven't a leg to stand on if other Merchants in the West or East start importing 20# Sulphite Bond or Rag Papers.

. . ."

(HS 91-3F)

Mr. Smith replied to Mr. Aird's letter on September 12, 1946:

"Thank you for yours of the 11th and for the other letters attached thereto. I have carefully gone over the file and of course, I fully approve of your proposal to discuss this matter in detail with Barkwell when you get to Winnipeg. I doubt very much however whether you will get any co-operation from them.

If your discussions do not turn out satisfactorily, it will be quite all right for you to advise Barkwell that if they persist upon the importation of American paper they are endangering their Loyalty Discount, but do not go any further than that.

I have discussed this situation with Mr. Gillean but without a thorough study, which he has not had the time to make, he cannot give a definite opinion as to what action we might legally take. However, he and I believe that we can discontinue the granting of Loyalty Discount to any customer, if that customer does not conform to the conditions governing Loyalty Discount which were in force during the base period. We all know that imports were not permitted during the base period, but as there is little if anything, in writing about the Loyalty Discount, it might be a very difficult point to prove, particularly when we know that some merchants feel that the regulations always have permitted the import of paper which can not be obtained in Canada.

As I think you know, there is some doubt as to whether the Loyalty Discount might not run foul to the Combines Act, but in this particular case we are the only mill involved and it seems obvious that one mill cannot constitute a Combine. Of course, if we cut Barkwell off he can apply to other mills and if those mills decline to give him Loyalty Discount, it might tend to indicate that a Combine existed. I imagine however, that if Barkwell asked another mill to supply him, that their answer would be that they had no tonnage available for new customers, because they were obliged under W.P.T.B. regulations to distribute their tonnage on the basis of their shipments during the year 1943. Of course, the Administrator can instruct a mill to supply Barkwell, but I doubt if he would be obliged to do so. In any case, quite a few of the grades that we sell Barkwell are not made by other mills.

. . ."

(HS 91-2E)

Barkwell was not able to buy a full line of fine papers direct from Canadian manufacturers and this fact undoubtedly had a bearing on the stand it took.

Apparently Mr. Aird had a talk, on October 28, 1946, with George Barkwell, son of the proprietor of Barkwell Paper. Mr. Aird's memorandum covering this conversation included the following:

" . . .

Mr. Barkwell felt that as they were not given the privilege of stocking Canadian Rag Content Papers that they were perfectly justified in bringing in grades No. 1 to No. 4 inclusive from the States and that in this instance Atlantic and Manifest had been imported to sell on a No. 4 grade basis and not on the No. 5 or No. 7 price setup.

. . .

There appears to be little we can do as long as we withheld the sale of our No. 4 Bond to them. If on the other hand the prices board state that these grades are actually Sulphite Bonds and must be sold at the Sulphite Bond selling prices or below then the situation may correct itself from a profit angle.

Apparently also if Barkwell are satisfied to import Atlantic Bond and sell at the No. 5 Bond selling prices again they are not violating the loyalty discount setup in that the Canadian Mills will not sell No. 5 grade to Barkwell. The only grade made available to them in the Bond Paper field is No. 7, Victory Bond.

. . . "

(HS 91-3A)

On November 26, 1946 A. P. Jewett of Provincial wrote to W.J.T. Adamson & Company and said:

"We acknowledge your letter of the 25th with copy of applications for Loyalty Discount.

We approve of all of these with the exception of the Barkwell Paper Company who report no imports. Our information is that they have made substantial imports and this one case should be further investigated before it is passed."

(AD 2-2)

Mr. Jewett's evidence on this incident was as follows:

"Q. Tell us why would you, in your company, for example, write in and hold up the loyalty discount payment in connection with Mr. Barkwell in 1946?

A. We do not sell Barkwell.

Q. I know you do not; that is why I am asking. You were not selling him in 1946, either?

A. I don't think we ever did.

Q. Why would you hold up the payment of loyalty discount to Mr. Barkwell?

A. We did?

MR. J. W. PICKUP: Do you say he did?

MR. GODFREY: Yes.

THE WITNESS: There is some mistake.

BY MR. GODFREY:

Q. Well, I show you a letter.

A. I don't know about it.

Q. That is your signature?

A. Yes.

Q. This is code AD 2-2, a letter dated November 26, 1946, serial #4154 addressed to Mr. Adamson and signed by you; you can identify it?

A. Yes, I do.

EXHIBIT No. 56 - Letter, November
26, 1946, code AD
2-2; serial #4154.

BY MR. GODFREY:

Q. Were not the mills having a lot of trouble with Mr. Barkwell importing in 1946?

A. 1946?

Q. Yes; this letter is 1946.

A. I don't remember the circumstances of the letter, and whether the mills were having a lot of trouble or not, I cannot say.

Q. Then, why would you withhold the approval of the payment of the —

A. You tell me; I don't remember the letter.

Q. I am asking you why?

A. I don't know why."

On November 30, 1946 Mr. Adamson wrote to each of the mills and said:

"Enclosed herein you will find list of applications of Loyalty Discount for the months of September and October 1946 that have been approved by the Mills concerned.

You will note the special reference on these lists to the application of the Barkwell Paper Company, Winnipeg."

(AD 1-11)

Each of the enclosed lists bore a note, which said:

"The above applications have been approved with exception of Barkwell Paper Company, Winnipeg who report no importations. One member has advised they are not satisfied with this application."

On January 30, 1947 J. R. Nixon, Howard Smith's Winnipeg representative wrote to W. H. Aird as follows:

"I had a call this morning from Stuart Clark telling me they had an opportunity of importing two cars of Everett's Litho for shipment to Edmonton. This is to help out Elmer Roper whom we are unable to supply at this time.

Before doing it, however, he wants to be absolutely sure they are not putting themselves in any position that would effect their loyalty discount. He knows, however, that loyalty does not apply on Litho and he knows also that Smith, Davidson & Wright bring it in and they had some of it shipped to Calgary. His feeling being that if they can do it, without effecting their loyalty discount on other grades that Clark Bros. should be in a similar position.

. . ."

(HSW 2-2 AB)

Apparently Mr. Nixon got instructions from Mr. Aird by telephone as on February 3, 1947 he wrote to him and said:

"After our 'phone conversation this morning I contacted Mr. Jewett in Edmonton, told him the story and asked for his reaction. His request was that I endeavour to get Clark Bros. to withhold taking action at this time as they would only aggravate the situation if they were to bring in some paper from Everett.

I told Mr. Jewett the stock was to be shipped to Edmonton and also told him Clark Bros. knew Smith, Davidson & Wright brought in a couple of cars to Calgary and he plans to take up very strongly this importation as far as Smith, Davidson & Wright are concerned.

He will be in Vancouver about Monday of next week and will immediately contact Mr. Fred Smith and tell him he would take a very strong position in relation to any further importations. While the mills had overlooked the imports to Vancouver when he extended them to other territories then he was stepping out of bounds. So I took from the conversation that Mr. Jewett would endeavour to have Smith, Davidson & Wright stop importing both for B. C. and Alberta. He promised he would write me air mail telling me just exactly what had transpired in his interview with Mr. Smith. As soon as this is received I shall naturally pass it on.

I am off now to see Mr. D. A. Clark and Stuart Clark and will likely add a postscript to this on my return."

In a postscript Mr. Nixon added:

"I have seen both Stuart and Mr. D. A. Clark. Mr. D. A. Clark as expected insists they are going to go ahead but I feel quite confident that it is not the case. Speaking to Stuart afterwards he said it was most unlikely that they would bring in any of this Litho Paper so for the time being I do not think that we need to be too concerned about it. I told Stuart I would talk to him again when I received the letter from Arthur Jewett after his conversation with Smith, Davidson & Wright. I expressed the opinion that Smith, Davidson & Wright would not bring in any more of this Everett Litho, certainly not into the territory which Clark Bros. are interested."

(HSW 2-ZZ)

Mr. Aird, in a letter dated January 7, explained to Mr. Nixon the point of view involved in the mills' refusal to sanction imports at a time in which they couldn't supply the demand:

". . .

Canadian Mills had made available to the Canadian market very substantial increase in tonnage and sheetage since 1939, were straining to produce more and more, and on the whole had done a splendid job. Just because there was still an abnormal demand and Merchants could not get all the paper they could sell, nevertheless they had been looked after splendidly by the Canadian Mills over the past seven years, were still getting more paper than they had ever received before in their lives, and we did not think that it was fair to establish American connection that would be very difficult to break in the future.

Obviously any American Mill supplying tonnage to Canada would do so in the expectation of receiving business in the future when they needed it.

The Merchants in the East have accepted this point of view on the part of the Mill. There is not a Merchant across Canada that

could not have brought in Rag Papers, Sulphite Bonds, Text Papers Bristols, etc to look after the requirements of their customers, in exactly the same way as Clark Bros. want to look after the requirements of Elmer Roper. But they have not done it, and if we were to acquiesce to two cars of litho with our Loyalty Discount arrangement to look after a special customer for special reasons, then having created a precedent, how could we not grant the same privilege to other merchants that might want to import other grades. . . .

. . . "

(HSW 2-2V)

Mr. Jewett wrote to Mr. Nixon on February 10 concerning his interview with Fred Smith of Smith, Davidson & Wright:

"I saw Fred Smith this morning about the matter we discussed on the telephone while I was at Edmonton and, to make a long story short, made a deal with him whereby he will not again ship any Everett paper east of the mountains. He promised to write Thompson to this effect to-day. This should make it possible for you to deal with Clark Bros.

In my discussion with Mr. Smith I made no reference to yourself or to the immediate problem which brought the matter up. But I did stress the fact that he had been lucky so far to retain his loyalty discount and still sell imported paper in B. C. and that it was too much to expect that he could extend such a deal into Alberta."

(HSW 2-2U)

In giving evidence on this matter, Mr. Smith said:

"Q. . . . Do you recall that incident?

A. I do not recall that letter. He did not write it to me.

Q. I understand that.

A. But I remember; he had a conversation about the paper there.

Q. Do you recall that he did say that you were lucky that these importations ---

A. No, he did not say anything about that to me at all. That is the first time I have heard about that.

Q. Did you agree, as a result of this conversation with Mr. Jewett, that you would not ship it?

A. But it was not for that reason, though.

Q. What reason was it?

A. Mr. Jewett was putting out a new paper down there, which he was able to ship to us in Alberta, and he said he would ship it if we would not bother bringing that other paper down there. We were only doing it because we could not get it from him. But he had this new line which he agreed to give us, and we said, 'all right, it will do just as well, and we will use that.'

Q. In other words, you were importing Everett litho paper because you could not buy it from him?

A. Because it was hard to get. It was during the war.

Q. I think it was after the war, 1947?

A. Well, it was pretty hard to get after the war for a while, too -- pretty hard to get what you wanted for a year or two. You could not get anything. The lithographers wanted more than they could get. It was not an economical proposition, importing -- shipping Everett paper in there, because when you added the freight to it you put it out of the market. But the very fact that we had to have paper, we could do it; but he agreed to give us the other line. He said, 'Here, I have this; you can get it by direct shipment in there.' I said, 'all right, that will do us just as well.' But there was no discussion about loyalty discount at all.

Q. Do you remember having a discussion about loyalty discount?

A. No, I do not think he ever raised the question with me at any time."

(Evidence, pp. 2952-4)

Smith, Davidson & Wright had, at this time, had branches in Calgary and Edmonton for some years but was only able to get direct mill shipments to these branches on a very few lines and the opening up of an economical domestic source of supply was undoubtedly an attractive proposition to Mr. Smith.

On October 7, 1947 both Howard Smith and Rolland wrote to W.J.T. Adamson and approved loyalty discount applications for the months of July and August 1947 for all the merchants except Kruger and T. B. Little. On October 9, 1947 Mr. Adamson sent the mills the regular lists of names of persons whose applications for the loyalty discount had been approved. The names of Kruger and T. B. Little had been marked out of these lists (HS 92-1K), (AD 203-1), (AD 1-6E).

An apparent result of Mr. Adamson's advice was that on October 11 written instructions were given in Eddy's Hull offices that loyalty

discount credit notes for Kruger and T. B. Little should be held up "pending inquiries regarding certain importation" (EBE 6-8B).

On October 14, 1947 E. H. Smith wrote to Mr. Aird, his company's sales manager, and said:

"Mr. Ecclestone (Rolland) called me up to-day to say that he had a session with Bruce Brown (T. B. Little) and that Mr. Brown had explained that the imports reported covered one job which goes to the United States after printing.

Mr. Brown reminded Mr. Ecclestone that he had already promised that he would not import American paper without first letting us know and stated that he had no intention of departing from that promise. I therefore agreed with Mr. Ecclestone that we would pay Little Loyalty Discount and I advised John Patenaude verbally to-day to have this done.

Incidentally, Mr. Ecclestone said that Mr. Brown became a bit annoyed at one time in their conversation but that he got over it all right.

If I remember correctly, you were to see Mr. Kruger in regard to their imports but I do not imagine you have had an opportunity of doing it yet. I arranged with Mr. Ecclestone that Kruger's Loyalty Discount would be held up until you had had an opportunity of seeing Kruger.

. . . "

(HS 92-1 I)

Mr. Aird's handwritten notation on this letter said "Phoned Roy Oct. 22". On October 22 both Rolland and Howard Smith advised W. J. T. Adamson that they approved the allowance of loyalty discount to T. B. Little and Kruger (AD 1-6D) (AD 1-6C).

Mr. Aird, in evidence, spoke of his telephone call of October 22 to Mr. Ecclestone:

Q. You say 'Phoned Roy October 22.'

A. Yes.

Q. Would that be after you had seen Kruger?

A. I would assume so. I cannot answer that specifically; I don't remember the dates that closely.

Q. You would phone Roy, who I presume was Mr. Ecclestone?

A. Yes.

Q. And advise him as to the result of your call on Mr. Kruger?

A. Yes.

Q. And so that you and Mr. Ecclestone could decide in the light of your call on Mr. Kruger whether or not to clear Kruger's loyalty discount; is that so?

A. You put it that way. I would have called Roy up in the ordinary way and simply said: 'Roy, I have discussed this situation with Gene Kruger, and he explained why he brought in the paper which I thought was unfair, and he has agreed under the circumstances that he will not bring in any more of this particular paper at this particular time; therefore if you will, we are issuing our loyalty discount to him or his credit note.' That I imagine would be the tenor of my conversation."

(Evidence, p. 1227)

In evidence Mr. Brown of T. B. Little said that when Mr. Ecclestone first questioned him about the particular importation involved he took objection to being questioned at all about it. Mr. Ecclestone made a second approach to Mr. Brown and on this Mr. Brown's evidence was as follows:

"A. . . . I told him that I could import paper into this country; that I would import it at any time and any place, and that the loyalty discount was a matter of trade discount and that anything that I reported was a matter of courtesy.

Q. You told him that?

A. Yes, sir, and if he wanted to make anything about it I ---

Q. He indicated to you then that you were possibly endangering your loyalty discount?

A. No, sir.

Q. Why did you bring up this question of what you told him about the loyalty discount?

A. Because he said then that I was probably right but what I first -- he was interested, and had been asked to talk to me about it. He asked, would I on a friendly basis tell him what this was all about, which I did. I am not certain at that time, but I think my recollection of the thing was that his approach afterwards was that I was doing something that was a little bit unfair to the Canadian mills, in that they were prevented by the application of the controls from making this grade of bond in the size, in the weight rather in which I had imported it, and ---

Q. Mr. Brown ---

MR. O'CONNOR: Let him finish his answer.

THE WITNESS: My recollection is that afterwards the approach was not that I had done something that endangered anything, but that I had been a bit unfair in that the Canadian mills were prevented by the controller from manufacturing a similar grade of paper in this weight which I was bringing into this country, which they were not ready to manufacture."

(Evidence, pp. 1790,1)

Mr. Brown also gave evidence that he was personally interested in two firms that imported fine papers. One such interest was in the Blake Paper Company Limited of Toronto which was incorporated in August 1943 with Mr. Brown holding control. In this case Mr. Brown furnished S. W. Blake of Toronto who had had some experience in importing papers from the U. S. with sufficient capital to do business. In 1949 Mr. Brown bought out Mr. Blake's interest in the business and formed Blake Paper Limited. Shortly after the incorporation of Blake Paper Limited, shares in it were acquired by Whyte-Hooke, a company controlled by Mr. Brown and in which he had first acquired an interest in 1946. In 1946 Mr. Brown incorporated the W. S. Hodge Paper Company of Montreal. Whereas Blake Paper imported from the U. S. Hodge Paper specialized in importing European papers, most of which were said by Mr. Brown to be "not competitive with anything made by the fine paper mills". Insofar as imports by Blake Paper were concerned, Mr. Brown said, in October 1950 the situation had developed to the point that the only kind of paper which it could import in quantity and sell at a profit was a particular high price patented coated paper (Evidence p. 1785). Of these two importing operations Mr. Brown said:

" . . . this knowledge that I have incorporated and have run both these firms was communicated verbally to the mills, and they have known about it, and I have told them, but I tried to get -- I have tried to get some Canadian mills to manufacture some of these things here."

(Evidence, p. 1787)

It is difficult to say to what extent the fact of there being a loyalty discount agreement influenced Mr. Brown to supply capital for the formation of these companies which were clearly outside the technical limits of that agreement instead of conducting the importing operations within the established business of T. B. Little and later Whyte-Hooke. One reason for the procedure adopted undoubtedly was that both Messrs. Blake and Hodge had arrangements for participation in any profits made in their companies. Thus they both stood to benefit directly from any financial success resulting from their efforts. Such arrangements could probably be worked out more satisfactorily through the media of separate companies than within the framework of the established business of T. B. Little. One clear fact is, that for whatever reasons, these importing operations of Mr. Brown were conducted in such a manner that they did not bring into question the entitlement to loyalty discount of T. B. Little.

An illustration of the fact that approval of all the mills was essential before any would credit its customers with the loyalty discount is afforded by an incident which occurred in 1948. On September 28, 1948 Mr. Adamson sent out letters to the mills asking each for early advice if the applications for the loyalty discount for July and August, as described in a memorandum he enclosed with this letter, met with approval (HS 95-IF). On October 9, 1948 Mr. Adamson again wrote to the mills, this time to advise them of the approval, with one exception, of the applications made. On the same day Alliance sent the following telegram to Mr. Adamson's firm:

"HAVE NOT RECEIVED LOYALTY LISTS ARE THERE ANY EXCEPTIONS
PLEASE WIRE ANSWER"

(AD 1-3B)

The reply sent is quoted:

"WIRE RECEIVED LISTS MAILED TODAY ONLY EXCEPTION BEVERIDGE SUPPLY
CO."

(AD 1-3A)

On May 4, 1950, some considerable time after the commencement of this investigation, A.P.Jewett of Provincial wrote to W.J.T.Adamson & Company as follows:

"We are sending out a notice to the trade as per attached copy. I believe this letter is self-explanatory and under the circumstances we will not require your services after May 15th."

(AD 22-12B)

The enclosed notice read as follows:

"For many years we have given a discount to you on some kinds of paper that has come to be called a 'Loyalty Discount'. Whatever the original circumstances surrounding this discount may have been it has, in fact, for long been a trade discount.

Effective May 15, this discount will be given by us as a straight deduction off the face of the invoice on the same kinds of paper and applied in the same way as to value as the old so called 'Loyalty Discount' was applied."

(AD 22-120)

W. J. T. Adamson thereupon consulted the other companies as to their wishes in the matter. Some of the replies from the other companies indicated that Provincial's move had taken them by surprise. One company, however, replied:

"In this connection, we had your recent advice about the further use of your facilities on this work. Something very definite is

brewing, which might result in a change. For the time being, and say until the end of June anyway, we will expect to carry on under the present arrangement."

(AD 22-15)

The various incidents reported in this section principally concern the loyalty discount agreement in the war and post-war period. A number of somewhat similar episodes occur in the evidence with respect to the earlier period from 1935. It may be said that the evidence does not show a rigid enforcement of the loyalty discount agreement and, indeed, does not disclose a clear case in which the loyalty discount was ever permanently withheld from an already recognized customer. The evidence does establish, however, that there was a general understanding by all parties upon the principal conditions of the loyalty discount agreement and that it was generally adhered to. The loyalty discount agreement was very effective notwithstanding that the mills, insofar as the available evidence indicates, never applied the final penalty under it. The mills found that it substantially served its purpose without actually having to commit themselves to the final sanction in what they knew to be a system of doubtful legal validity. To put the position somewhat crudely, the purpose was served, from time to time, by raising the stick without the necessity of ever letting it fall more than half way.

The loyalty discount agreement has not only resulted in the mills being assured of the main bulk of the available business in Canada, and this at prices over which they asserted a considerable measure of control, but it has also gone far to protect the recognized fine paper merchants against competition from imported papers. Moreover, the benefits occurring to the merchants as a result of their observance of the loyalty discount agreement have gone beyond this - the merchants have derived a large measure of protection against new entrants into their trade.

Several fine paper merchants have been newly recognized by the mills since January 1, 1935 but an examination of the circumstances surrounding their entry into the trade reveals that in each case special circumstances were involved. The new entrants were:

Fine Papers	(1935)	Toronto and London, Ontario
Hillier Paper	(1938)	Winnipeg, Manitoba
John Neville	(1940)	Ottawa
Emile Robitaille	(1940)	Quebec

Three of these four merchants, the exception being John Neville, have depended largely upon Eddy for their supplies. In each of these three cases, Eddy was the first fine paper mill to sell them direct, and Eddy's recognition of these three new merchant accounts can be related directly to a change in the fine paper merchandising policy which was gradually put into effect by the Eddy company. It is apparently the case that Eddy, which has made some grades of fine papers for many years, originally sold these through the same distributing outlets as handled the company's other lines. In eastern Canada, Eddy had a number of warehouses at which fine paper stocks were held and from which sales were made. In western Canada, Eddy's

agent, Tees & Persse, held warehouse stocks of fine papers in the various Prairie centers. It would seem that while Eddy did business along these lines it got little support from the merchants. As the company did not offer a full line of fine papers it could not hold its customers in the same way as could a merchant selling the varied products of a number of manufacturers and on the other hand its efforts to attract and hold trade were disruptive in the contemplation of the industry in that they tended to involve special privileges and special prices. The documentary evidence shows that there was some pressure on Eddy at all times during the period following 1935 to bring its selling methods into line with those of the other companies. Apparently Eddy was willing to yield to this pressure if in so doing its position in the market did not suffer. Undoubtedly the company worked hard to get a better general acceptance of its products by the established merchants and the latter, also, were desirous that Eddy's practices should be brought more closely into line with those of the other mills. The naming of new merchant accounts by Eddy was accepted by the mills and by the merchants as a necessary part of the transition from Eddy's policy of direct mill representation in all the leading centers to one where Eddy fine papers, except for certain large direct accounts and for the Maritimes, were sold through merchants as were the products of the other manufacturers.

Acceptance of Fine Papers Limited in Toronto as a fully recognized merchant did not follow automatically upon Eddy's opening its lines to this new company in 1935. Fine Papers Limited was formed in 1935 by F.W. Halls who for years had been the president of The Fred W. Halls Paper Company Limited, control of which during most of this period was held by Howard Smith. It seems that Fine Papers was the first firm in Toronto to depend upon Eddy as its principal fine paper supplier or in fact to take any substantial interest in pushing the sale of its fine paper lines.

At a meeting of the Book and Writing Section held on September 4, 1935 consideration was given to the position of Fine Papers Limited. The minutes for that meeting state:

" . . .

A letter was read from Fine Papers Ltd. asking for Loyalty and Quantity Discount. The secretary was instructed to reply that if the firm qualified under the definition of paper merchant they will be entitled to the discounts under the same conditions as are applicable to paper merchants in general.

It was moved by Mr. Smith, seconded by Mr. Taylor that the following definition of a paper merchant be approved and recorded in the minutes:-

'A paper merchant is a corporation, firm or individual whose principal business is selling for resale or processing and carrying a general stock of various grades of stock sizes and weights of fine papers, cardboards, envelopes, etc. from which any quantity, large or small, can and will be sold.'

The motion was carried.

• • ."

The definition quoted is almost exactly the same as the definition of a merchant given in the C.P.T.A. by-laws in January 1940. There are indications that the definition in this form had been in effect in the C.P.T.A. for some years before 1935. Reasonable as this definition might appear, were it the independent policy of an individual manufacturer, the potential unfairness to new entrants that is involved in the mills setting up a common front on the question of recognition is obvious. The nature of the measure tended to deny any prospective merchant the opportunity of convincing an individual mill that it would be to the mill's advantage to accept him and assist him to get started.

In 1935 W. H. Aird was the Toronto representative for Howard Smith. On September 12, 1935 he wrote a long letter to G. A. Davidson the company's sales manager, on the subject of Fine Papers Limited. In that letter Mr. Aird said:

"Whilst we are being governed by the opinion of the Merchants as a whole, with regard to the sale of our papers direct to Fine Papers Limited, and also the Merchants' decision in connection with cutting off any discounts on their sale of Merchandise to Fine Papers, Limited, I am wondering whether we are taking as active an interest as we should in a situation that might develop and might affect us quite drastically.

• • ."

(HS 86-6)

Mr. Aird then voiced his doubt of an opinion that had been expressed to the effect that "no Merchant can function unless they have our lines, Rolland's, Don Valley's or Provincials" and said "Fine Papers Limited are going to stay in business if they can." Mr. Aird then said:

"• • .

So it seems to me that the Merchants have got to decide whether it is better for them and for the Mills to admit Fine Papers into the Association, allow the Canadian Mills to sell them direct, and have them under control as far as the price set-up is concerned, or to refuse them admittance to the Association, and let them bring in imported lines if they want to.

So far, they have decided on the latter policy.

Fred Jr. therefore, might easily take the attitude that he had applied to the Association for Membership, was willing to play ball, maintain prices, etc., and had been turned down, therefore, he would bring in, if possible as many imported lines as he could, put on

his own mark-up, and cut prices, that is resale prices, all along the line on any number of grades. This might, of course, wreck the structure amongst the Merchants that has been established in the last year up here, and the whole thing would be wide open again.

Where we come into the picture is that the Merchants might come to us the same as they were agitating some months ago about the Baker Paper Company, and state that they could not compete with some of the Imported Lines of Fine Paper Ltd. and the prices at which they were selling them and therefore, we would have to reduce our prices on various lines to enable them to meet such competition. This might cost the merchants and ourselves a great deal of money, and the question naturally comes up, if Fine Papers Ltd. are going to stay in business, whether it would not be cheaper in the long run for all concerned, to allow the Canadian Mills to sell them direct, get them to join the Association, keep them under control and let them have their share of the business, which after all spread over seven or eight merchants would not mean very heavy loss to them.

Of course, if the Merchants can show us by actual Laid Down figures, on both American and British Bonds Bristols, etc that it is impossible for Fine Papers to create any such situation as I have outlined, then everything will be all right, but if they simply make a general statement, the wish perhaps being father to the thought, and we accept it, are we not perhaps permitting a situation to grow that in the long run may cost us a great deal of money?

" . . . "

(HS 86-6)

It may be noted, from Mr. Aird's letter, that the Toronto merchants, including Howard Smith subsidiaries, had cut off "any discounts on their sale of Merchandise to Fine Papers, Limited." On September 16, 1935 Ivan Moffitt wrote to A. M. Barkwell, then president of the C.P.T.A. and said:

" "

I mentioned to you some time ago the possibility of an application for membership being received from the new firm in Ontario, Fine Papers, Limited. One was received -- not for membership in the Paper Trade Association, however, but in the local Ontario Fine Paper group. The action of this group was to place the application on file for consideration at the end of this year.

" "

(BARK 27-55)

Over a year later, on November 2, 1936, A. E. Cadman, wrote to Mr. Moffitt and told him of certain decisions the mills had made with

respect to reducing the price to the merchants on No. 7 bond for the purpose of meeting competition from imported bonds. Mr. Cadman pointed out that the offer was subject "to the proviso that the merchants on their part will assist in meeting the competition in this item by reducing their resale mark-up on this grade of paper." Mr. Cadman went on to say:

" . . . it is also their (the mills) opinion that the general situation in Ontario would be vastly improved if Fine Papers Ltd. could be included in the membership of your Association."

(HS 8-10A)

Whether because of the stated opinion of the mills with respect to Fine Papers Limited or in an effort to remove the possibility of profit margins being reduced there were soon developments with respect to Fine Papers. On November 7, 1936 in a letter to W. J. Macdonald, then secretary of the Prairie Fine Paper Council, Mr. Moffitt said:

" . . . In connection with the matter of a grade lower than No. 7 Bond being made available, I have had some discussion with one or two of the members since the Ontario meeting was held. I believe a change of attitude is developing and the member who made application to the mills for a lower-priced sheet is now warning to the view it would perhaps be better to ignore present competition than to introduce another grade on the market, that is, from Canadian mills. This change is perhaps influenced in part by the reason that one house, alleged to be offering papers below regular prices, may make application for membership in the Association. In fact, it is altogether likely that action will be taken within the next week or two. . . ."

(BARK 34-5)

Fine Papers Limited became a member of the C.P.T.A. and of its Ontario Sub-Section in early 1937 and its sales records then became subject to audit inspection in the same way as were the sales records of the other Toronto merchants.

From available records it seems that Fine Papers Limited was actually being allowed the loyalty discount before it became a member of the C.P.T.A.

In the case of Hillier Paper there was no apparent delay, after Mr. Hillier arranged to get fine papers from Eddy and start his company, either in his receiving loyalty discount or in being accepted as a member of the C.P.T.A. The Prairie merchants apparently took a different attitude from the Ontario merchants. Mr. Hillier had had some years experience in the fine paper business in Winnipeg, and this, in conjunction with the fact that if he stocked Eddy papers and sold them in accordance with the accepted rules, regulations and prices, Eddy itself would be unlikely to compete directly against him by allowing its Winnipeg agent to undercut his prices, probably had a good deal to do with the apparent lack of objection from the Winnipeg merchants to his entry into the business.

John Neville of Ottawa was, for years before he set up his own company in 1940, the Ottawa manager of Buntin Gillies. Apparently as a result of a change in ownership of Buntin Gillies in 1939 Mr. Neville decided to go into business for himself. At that time there was no merchant with principal place of business in Ottawa and it seems that Provincial and Rolland were not well represented in warehouse stocks held by those merchants who did have small warehouses in the city. At any rate Mr. Neville started in business in Ottawa in early 1940 and was able, apparently from the outset, to buy fine papers direct from Provincial and Rolland as principal suppliers and from other mills too. It appears that in this case the personal suitability of Mr. Neville to Rolland and Provincial at a time when they desired better representation in Ottawa accounts for his relatively easy entrance into the trade as a recognized merchant. He was also accepted into the C.P.T.A. about the same time.

Emile Robitaille of Quebec became a handler of Eddy fine papers in 1940 or before. Apparently in so doing Mr. Robitaille took over the fine paper part of the business being done by Eddy's Quebec branch. At that time other merchants were carrying warehouse stocks of fine papers in Quebec and the headquarters of one of these, Turgeon, was in that city. Although when Fine Papers, Hillier and Neville applied for membership in the C.P.T.A. their applications were apparently dealt with without any question being raised as to the value of the paper stocks carried by them, Robitaille's application was not dealt with until after the membership requirements had been qualified by certain inventory conditions. Robitaille never became a member of the C.P.T.A. He was recognized by Eddy and placed on the loyalty discount list and became the only merchant so qualified who was not able to buy fine papers direct from more than one mill.

Coast Paper of Vancouver became a recognized fine paper merchant some time before 1935. The evidence includes two reports on happenings preceding its recognition by the fine paper mills. H. S. Ramsay, for some years the Howard Smith representative in western Canada, included the following in a letter, dated May 9, 1941, which he wrote to G. A. Davidson and E. H. Smith:

" . . . "

Going back a few years the three large B. C. Merchants approached the mills and asked them to put the Coast Paper Co. on the Canadian mills list which we all did. . . .

. . . " (HSW 26-18)

In another letter, this one written on September 16, 1941 by Gilbert Garnett, the president of Coast Paper Limited from the time it succeeded Coast Paper Company Limited in 1941, to K. Davey, also of Coast Paper Limited, Mr. Garnett told the story as it had recently been related to him by Mr. Davidson of Howard Smith, whom Mr. Davey was to meet in a short while:

" . . .

. . . As a matter of fact you might sound him out as to the possibility or the prospect of getting Alliance Coated. George was quite frank in discussing the situation with me yesterday and gave me the history of the development of lines with Coast. It appears that MacLachlin (~~of Coast Paper Company Limited~~) was doing a lot of importing because he could not buy Canadian grades. Then some of the other houses also began to import and when they were approached by the Canadian mills they stated that they had to import some of the lines that the mills were objecting to in order to meet MacLachlin's competition. The mills then stated that all importations would have to cease but there would have to be an understanding with the other distributors that the Canadian mills could sell MacLachlin. All of this was agreed to and that was when MacLachlin began to buy the bulk of his grades from the Canadian mills.

" . . ."

(COA 16-1)

Coast Paper has been the principal handler of Eddy papers in Vancouver. It seems that, in this instance, the mills recognized Coast Paper after arrangements had been made with the merchants that this would be satisfactory. Underlying this acceptance was the consideration of controlling imports and protecting the price structure. Other documents indicate that another consideration was the necessity for arrangements to be made for Eddy to get a share of the available business.

Coast Paper, Fine Papers, Hillier and Neville were all accepted as members in the C.P.T.A. This meant that they could take advantage of the privileges of any stock-sharing arrangements in effect in the cities in which they held their warehouse stocks. In each of these cases the merchant was able to buy, from the stocking merchant, under as good conditions of sale as any other merchant, a number of lines of fine papers made by mills other than his principal supplier or suppliers. In the case of Robitaille, whose application for membership in the C.P.T.A. was not accepted, he did not participate in any stock-sharing arrangements in Quebec City and he was not supplied with fine papers by any mill other than Eddy.

There were cases where, as the result of some joint action, no mill would sell a particular firm fine papers intended to be used as stock in a wholesale fine paper business. One instance of this concerned the Queen City Paper and Twine Company of Toronto. As early as 1936 this company imported fine papers into Canada and apparently sold them at prices below those being charged by the recognized merchants. Some attention was given by both the mills and the merchants to the extent and effect of these importations but other than to keep the matter under review little else was done.

In late 1938 there was correspondence between Don Valley and Eddy concerning the price being charged by the Canadian mills on ticket stock

as compared with the cost of a similar imported paper. A letter written on January 19, 1939 by N. E. Wainwright, president of Don Valley to John Taylor, secretary and sales director of Eddy, shows a relationship between the refusal of mills to sell outside the group of recognized merchants and the operation of the loyalty discount agreement:

"I attach herewith copy of a letter written to Mr. Cadman. I hope that the E. B. Eddy Company will back us up in this, because we are the two mainly concerned, and I suggest that the time is about ready when some mills, and there is no reason why the E. B. Eddy Company and ourselves cannot be the first to take a stand in the matter, should demand that this Loyalty Discount be enforced or cancelled.

If the merchants won't support the Canadian mills making this grade, and want to have the additional privilege of importing the same line which the Queen City Paper & Twine are bringing in, then the mills should automatically be free to sell the Queen City Paper & Twine. In that case the Queen City would drop the imported line in favour of the Canadian, and the Kruger Paper Company would be the only ones importing it.

The question is, do they want to place themselves in this position? Personally I consider that some of the merchants are entirely too free in interpreting their rights and privileges to the advantage of themselves, yet still expecting the Canadian mills to refrain from selling direct. Shall be glad to hear from you."

(EEE 70-6a)

Mr. Taylor replied on January 23 and said:

" . . . We quite agree with the sentiments as expressed in your letter, that I think you already know.

I presume that you will be in Montreal this week, so I hope to have the pleasure of seeing you there when we can discuss this situation further."

(EEE 70-6)

There was a meeting of the Book and Writing Section in Montreal on January 26, 1939. Mr. Wainwright did not attend but Mr. Taylor did. One of the decisions reached is recorded in the minutes as follows:

" . . .

QUEEN CITY

This matter was left to the individual mills to act as they deem advisable but that this account should be treated as any other printer and not as a merchant.

In the meantime the situation should be watched.

" . . . "

This, among other things, meant that the mills as a group had decided no mill should sell Queen City fine papers for purposes of resale. Although no dissent is recorded on the part of Eddy the latter apparently doubted the wisdom of such a move. On June 16, 1939 Mr. Taylor wrote to A. E. Cadman in reply to a request that Eddy's president should comment on the proposal from a Toronto merchant that the mills supply a bond paper, in carload lots, at a low price so that competition from paper being imported by Queen City could be met. Mr. Taylor said:

" . . . "

The Queen City Paper & Twine Company have, as you know, been trying for the last year or two to purchase bond and other white grades from the Canadian Mills, but have met with little or no success. . . .

" . . . "

Mr. Taylor then commented upon the possibility that Queen City would start making its own fine paper grades and went on to say:

" . . . "

You may recall that I brought this matter up at several meetings of the Book and Writing Section, and advanced our reasons why we thought they should be sold by the Fine Paper Mills, but we never could get anyone to see eye to eye with us, although on one occasion it looked to us as if perhaps something would have been done about the matter.

" . . . "

(EHE 63-5)

By the time this investigation started, Queen City was no longer in the business of selling fine papers. Apparently at no time did it as a merchant become a direct buyer from the Canadian mills.

The fact that Lauzier Paper of Montreal, which commenced business in 1945, applied for membership in the C.P.T.A. but was not accepted has already been referred to. Apparently this new firm made several attempts to buy direct from Howard Smith. In evidence Mr. Aird said that his company had refused to sell Lauzier. It is the case that fine papers during the immediate post-war period were in very short supply and to allocate some part of the available supply to a new customer might have created certain problems, but when supplies of some lines became more free Howard Smith still would not sell to Lauzier. A three-page memorandum written on July 19, 1948 by W. H. Aird to E. H. Smith dealt with the problem of selling to Lauzier and to Laurentian Paper, another new entrant that shortly afterwards went out of business. In this memorandum Mr. Aird said:

" . . . "

I think that our present Distributors are probably concerned about the possibility of our doing business with Lauzier or Laurentian. Were we to start on private labels on our Covers and Bristols, they would feel that it was the first step in recognizing and entrenching these houses as paper merchants for the distribution of Canadian merchandize and that other lines would follow in due course as these houses kept putting on the pressure.

Montreal merchants had refrained from bringing in American rag papers to their advantage, in competition with Lauzier, and even though we might not open up rag papers to him, the fact that we had given him our Covers and Bristols under private names because we felt it to be to our advantage might be construed in some quarters as, in a sense, having 'broken faith'.

Nor, do I feel that our sales would be substantially increased and that, for the most part, any business that Lauzier obtained through his personal connections and initiative would simply be business taken away from the other distributors.

" . . . "

(HS 84-1B)

This quotation from Mr. Aird's memorandum would indicate that Howard Smith's refusal to sell at least some lines to these new firms was based, in part, on a recognition of the fact that certain protection was to be given the established merchants in return for their observance of the loyalty discount arrangement.

A report concerning S. H. Blake sent by Mr. Aird on August 3, 1945 to E. H. Smith shows that this attitude was not new. Mr. Blake at this time was interested in the Blake Paper Company Limited in which, as mentioned above, J. B. Brown of T. B. Little, Montreal, had the controlling interest. Previous to his connection with this company Mr. Blake had done business as an importer of fine papers. On August 2, 1945 Mr. Smith wrote to Mr. Aird and told him Mr. Blake had been in to see him "to see whether we would be willing to open up some of our lines to him in Toronto". Mr. Smith's letter also included the following:

" . . . "

I told him quite frankly that our best customers were the paper jobbers and that I was afraid that they would look with disfavour on any action which we might take which would establish another jobber on Canadian lines in the Toronto market, and that for that reason I would like to give this matter considerable thought.

" . . . "

(HS 50-1C)

The following is quoted from Mr. Aird's letter of August 3 to Mr. Smith:

" . . .

My initial reaction is that we should not open up our lines to a new Distributor, whether Mr. Blake or any one else at the moment. There are ten Merchants in Toronto now, including Fine Papers Limited, and I am sure the Merchants would not welcome another one . . .

Were Mr. Blake to assume control of one of the established Merchants, such as the Whyte Hooke Paper Company, that would be an entirely different proposition. We would have to keep on selling Whyte Hooke, even though it were under new control and management, or at least, we would be justified in doing so.

Mr. Blake's request reminds me of the old Queen City Paper & Twine Company situation, back in 1938, and you will remember the conversation that you had with Mr. Geo. Allen, referred to in your letter of May 7th 1938. I think that the reaction of the Merchants to Mr. Blake would be the same as it was in '38 towards Queen City.

" . . ."

(HS 50-1B)

On August 9, 1948 J. W. Parker, Eddy's Montreal representative, had a telephone conversation with N. B. A. Fair, of the company's head office. In a teletype message confirming the telephone conversation Mr. Parker spoke of objections that had been and were being made by W. D. Nelson of McFarlane Son & Hodgson to the fact that Lauzier had sold some of Eddy's "Cheneaux" bond. Apparently Lauzier got this paper from some source other than direct from Eddy and Mr. Nelson thought Eddy could stop this. Mr. Parker's message went on to say:

" . . .

MR. NELSON JUSTIFIES HIS FURTHER STRONG CRITICISM AT THIS TIME FOR THE REASON THAT DURING THE WAR THE BONE FIDE FINE PAPER MERCHANTS DID NOT IMPORT THE EQUIVALENT OF #7 BOND IN HEAVIER WEIGHTS IN OPEN COMPETITION TO CANADIAN MANUFACTURED #7 BOND, WHEREAS LAUZIER AND COMPANY COULD ONLY SURVIVE BY THE IMPORTATION OF AMERICAN PAPERS INCLUDING THE EQUIVALENT OF #7 GRADES AND WHICH, HAVING A READY SAIE AT THAT TIME, HAS PUT LAUZIER IN A POSITION WHICH IS, IN THE ESTIMATION OF DUTCH NELSON, BAD FOR THE MERCHANTS AND THE MILLS A LIKE. HE ALSO EMPHASIZED THAT HE WOULD OPPOSE ANY MOVE ON THE PART OF ANY OF THE MILLS TO SELL LAUZIER UNDER THE CIRCUMSTANCES. . . .

" . . ."

(EEE 20-1A)

In reporting on the problem to W. S. Kidd, president of Eddy, Mr. Fair said:

" . . .

. . . We are not selling Lauzier Paper Company and have no intention of doing so at the present time . . .

. . . "

(EHE 20-1)

On August 23, 1948 R. H. Joyce, sales manager of Don Valley, wrote a memorandum to W. H. Aird with a copy to A. E. H. Fair, president of Don Valley and Alliance. The memorandum had to do with certain matters that might come up at a Book and Writing Section meeting which was to be held on August 26 and which Mr. Joyce said he would be unable to attend. In this memorandum Mr. Joyce included the following:

" . . .

Has the case of Jacques Lauzier come before you? Mr. Fair has my views on it which simply amount to this; that I would like to sell this man, that I think he is quite responsible for his undertakings, but I am certainly not going to be the first to open an account with him. That is a matter of policy outside of my powers completely.

You will recall at a meeting last winter that one or two of the Montreal merchants asked for the privilege of importing Bristols without losing their loyalty discount, the purpose of this being to meet Lauzier's imports. Nothing came of it but I imagine it has not been forgotten.

. . . "

(ARS 2-1)

Certain paper converters who have never been considered to be fine paper merchants have been recipients of the loyalty discount. Although they have not been able to buy fine papers, except for their converting operations, under conditions of sale so favourable as those granted to the merchants, they have nevertheless been able to buy a number of grades, intended for such operations, in quantity as cheaply or, in the case of an envelope manufacturer buying certain envelope papers, more cheaply than the merchants. The understanding has been that papers so bought should not be resold to persons who would otherwise buy from the merchants. Mr. Bradford Ellison, then sales manager for Eddy, brought the case of a converter making such sales up for attention in a letter he wrote on April 14, 1941 to E. H. Smith:

" . . . "

I am advised that the Willson Stationery Company Limited in Saskatoon and Edmonton, respectively, are selling full-size sheets to such accounts as the Houghton-Boston Press at Saskatoon, and to the Hamly Press and Armstrong-Cosans at Edmonton, respectively.

It has been my understanding that we fine paper mills sell to Willson Stationery Company as Convertors only and that in no sense is it our intention to support these people as fine paper Merchants.

I am quite prepared to enforce a ruling upon these people that they are not to re-sell to the printing trade and that they are to buy as Converters only, provided such a ruling is agreeable to you and you are prepared to also enforce a similar rule.

I am sending copies of this letter to Messrs. E. Howard Smith, R. H. Ecclestone and Arthur P. Jewett, and would ask that they kindly, in replying, send copies to the above parties as well so that we may all be au courant with this correspondence.

" . . . "

(EHE 57-3A)

Mr. Smith replied on April 15 and said:

" . . . I fully agree with you that it is not the intention of the mills to support these people as Fine Paper merchants.

We will be only too glad to work with you and the other mills in an endeavour to have this practice discontinued, and I would suggest that this matter might be discussed after adjournment of the next meeting of the Book and Writing Section, which I believe is called for Tuesday of next week."

(EHE 57-3)

(b) Quantity Discount

It will be remembered that the quantity discount was a discount allowed by the mills to the recognized merchants. This discount was, when this investigation started, allowed on the total value of the purchase of a limited number of classes of paper including bond, ledger and writing papers and bristols made by a merchant from all the mills in a particular year and the rate varied between nil and $2\frac{1}{2}$ per cent. The smallest rate actually allowed was $\frac{1}{2}$ of 1 per cent and this was allowed on \$35,000 worth of purchases of the papers covered. The merchant got the $2\frac{1}{2}$ per cent quantity discount if he purchased a total of \$175,000 or more of such fine papers. A more complete description of the quantity discount arrangement may be found in Chapter IV. It is mentioned here because it was given only to the recognized merchants and was one of the benefits accruing from and dependent on joint mill recognition.

(c) Customer Protection

Some attention has already been given in this report to the difficulties faced by a person attempting to become established as a fine paper merchant handling Canadian fine papers. Not only have the mills protected their established merchant customers by resisting the taking on of new customers but the arrangements between the mills and the merchants have been such that the mills have to a large extent protected the merchants established with warehouses in a particular territory against competition from merchants principally established in other territories.

The latter principle is set out in the record of proceedings of the C.P.T.A.'s 23rd Annual Meeting which was held in January 1941:

" . . . "

MILL ZONING SYSTEM

The mill zoning system was reaffirmed and the mills to be so advised. Under this regulation the mill will ship standard mill brand papers on account of and to the order of a merchant only to points within the territorial zone in which the merchant is located.

. . . " "

(KRV 5-26-18)

Mill observance of this regulation has meant that favourable conditions of sale, which very often involved absorption of some part of freight and cartage costs, were not available to recognized merchants in one territory when selling to customers in another. One case where this type of protection governed the action taken arose in 1939. Apparently an Alberta customer of Mid-West, sometimes referred to in the evidence as F. W. Clarke & Company Limited, had started operations in Vancouver as a wholesale stationer. Possibly because it could not order in carload lots, this firm was not able to buy direct from the mills at prices as favourable as those quoted two larger Vancouver competitors.

The principal of this company, F. W. Clark, called on E. Howard Smith in Montreal in March 1939. Mr. Clark told Mr. Smith that the cheapest price he could get from a Vancouver merchant on Canadian No. 7 bond paper was \$10.80 per cwt. and that he was buying imported papers at a cost of \$9.25 per cwt.

Mr. Garnett of Mid-West had telephoned Mr. Smith that Mr. Clark would call on him and had apparently tried to make some arrangement with Mr. Smith under which Mid-West could get Clark's Vancouver business.

In a letter written on March 20, 1939 to H. S. Ramsay, then the Howard Smith representative in Winnipeg, Mr. Smith said:

" . . .

Mr. Garnett wanted me to make some arrangement by which Mid-West could sell him their Bond Paper on the Coast, but I told Mr. Garnett quite definitely that this could not be done. Mr. Clarke states that while he would prefer to deal with Mid-West, he is quite willing to buy from any merchant who will give him a proper deal, but he states that he simply cannot pay the \$10.80 price on the No. 7 Bond and stay in business.

It seems to me that the proper answer to this situation would be to establish an import price for 3 ton lots of No.7 Bond on the Coast, such a price to be the Mill price in the East plus freight, etc. and it might be established at 8 $\frac{1}{2}$ to 8 $\frac{3}{4}$. However, I do not suppose our western distributors would look kindly on such a suggestion and as a matter of fact, Mr. Lorne Graham recently wrote Mr. Davidson in response to enquiries from Mr. Davidson regarding the import situation generally, and suggested that the Mill reduce their No. 7 Bond price \$10.00 a ton, in which event the B.C. merchants would reduce their resale to 11 $\frac{1}{2}$ or \$20.00 a ton reduction.

Personally, I do not look at all kindly on this suggestion, as I feel that the B. C. Merchants are already getting an extremely long mark-up and I think that what they should do is reduce their spreads. I imagine though that it would be a pretty difficult proposition to get them to see things from this angle.

" . . ."

(HSW 28-40A)

Also on March 20, 1939 Mr. Smith wrote to Gilbert Garnett and told him of Mr. Clark's call. In this letter Mr. Smith said:

" . . .

As you doubtless realize, the Vancouver situation in regard to Mr. Clarke's account is quite delicate. We certainly could not sell you paper for shipment to Vancouver much as we would like to co-operate with you in any way we can. As you know, we have distributors on the Pacific Coast and we simply cannot ship goods direct from the Mill into that territory for the account of any merchant located in another territory. As a matter of fact, much as I would like to get Mr. Clarke's Vancouver business, at the moment I do not see just how it can be arranged, as the scale of mark-ups on the Pacific Coast is such as to prevent him from buying on the same basis as certain firms with whom he is in competition. I am afraid it would be a very difficult thing to change that set-up.

" . . ."

(HS 3-3H)

A report to E. H. Smith, written from Vancouver on April 27, 1939 by H. S. Ramsay shows that the problem had been considered at meetings in Vancouver which were attended by Mr. Ramsay, Mr. Pauline, managing director of Alliance, and Messrs. Ecclestone and Brain of Rolland. Mr. Ramsay said:

"Re: F. W. Clarke & Co. - Your letter of April 19th.

Mr. Pauline, Mr. Ecclestone, Mr. Brain and myself had a meeting with all the fine paper merchants in the Columbia office the early part of this week to discuss the above matter.

When this meeting was arranged Mr. Ecclestone had not arrived in town. We found out that he had been delegated by the mills to take up this subject, so that he will give the mills the official report.

Mr. Pauline and myself discussed this matter previous to the meeting with Mr. Graham, and he pointed out that the base price in Vancouver was \$12.00, Winnipeg \$13.00, and Alberta \$14.00. The maximum discount in British Columbia was 10% on 50,000 sheets, which made the lowest price that the printers could purchase it at \$10.80. The Prairies of course, have direct mill shipments at lower prices.

Mr. Graham was in favour of putting in a 50,000 sheet price at 15% discount. On 100,000, price at 20% discount. This would make the lowest price available \$9.60, which he thought would be satisfactory. However, at the meeting, when greater discounts were suggested, both Mr. Kay and Mr. Smith took a definite stand that this was not necessary, and as the imports into B. C. of bonds, etc. in 1938 only amounted to 30 tons, possibly they have the situation pretty well in hand. The imports into Manitoba are 160 tons, and as you know, we have lower prices in Manitoba. So if the jobbers reduce their prices it is not likely that they would materially decrease imports.

After the meeting I spoke to the various merchants and they have all promised to watch this situation very closely and if the import figures increase, to go into the matter further.

. . ."

(HS 3-3B)

Apparently, because the import situation was considered to be under control, no further action was taken and the Vancouver merchants continued to do business as before.

The story of the establishment of Smith, Davidson & Wright in Alberta seems to involve the application of the foregoing principle and not to have turned entirely upon an independent consideration by Howard Smith as to whether its best interest would be served by sticking to old customers or taking on a new one; otherwise it is difficult to explain the apparent anomaly whereby Howard Smith would not deliver to Smith, Davidson & Wright in Alberta, and would not permit it to stock standard mill brands there, but would permit it to sell and ship mill brands from B.C. into Alberta and to ship private brands from B.C. for stocking and selling in Alberta.

Smith, Davidson & Wright had access to a wide range of Canadian papers insofar as its trading in B.C. was concerned and was a valuable account there for Howard Smith. When Smith, Davidson & Wright began to expand into Alberta Mid-West, which handled Howard Smith papers there objected strenuously to Smith, Davidson & Wright being allowed to stock the papers in its Edmonton warehouse. On July 3, 1936 E. H. Smith wrote to Mr. Hunt of Mid-West and stated that:

" . . . I want to assure you that I fully appreciate your position and your desire to prevent another fine paper merchant from establishing himself in Alberta . . .

" . . . "

(MID 1-1)

Mr. Smith went on to indicate the conditions as outlined above upon which Howard Smith papers might be sold by Smith, Davidson & Wright in Alberta, including the condition that "they maintain the proper resale prices". Correspondence continued over the years with complaints being made by Mid-West that the restrictions upon Smith, Davidson & Wright were not being adhered to and Howard Smith affirming its position. On March 16, 1938 Mr. Hunt wrote Mr. Smith to the effect that Smith, Davidson & Wright had been asked to and had agreed to join the Alberta merchant group. Mr. Hunt assumed that Howard Smith would continue to refuse to ship paper direct to Smith, Davidson & Wright in Alberta "because of the fact that you already have representations and direct arrangements with other distributors for the handling of your lines in that Province" and his letter concludes:

" . . . "

It is not proposed that we adopt any further antagonistic attitude towards the Smith, Davidson & Wright organization, but we have agreed on a basis of exchange of merchandise with them, providing for discounts off our published price, and this seems altogether satisfactory to them.

In their becoming a member of our council, they will of course attend meetings, and will be included in any discussion of matters affecting the situation in the Province of Alberta.

" . . . "

(HS 19-1F)

Thus, the original efforts to prevent Smith, Davidson & Wright from becoming established in Alberta having failed, that firm was taken into the local arrangement where its prices and practices would be under control and was consequently admitted to the joint stocking arrangement. When this investigation started, Smith, Davidson & Wright still could not purchase all the Howard Smith lines for direct shipment to Alberta. W. J. Thompson of Smith, Davidson & Wright in Calgary wrote to their Vancouver office on October 2, 1948 that he had discussed with W. H. Aird and C. F. Ross of Howard Smith the matter of shipping Howard Smith lines direct to Calgary but did not get much satisfaction:

" . . . "

We put up the argument that in the first place it was a farce to force us to ship merchandise from the east to Vancouver and reship back to Calgary

" . . . "

(SDC 1-2)

Application of the principle referred to in the C.P.T.A. proceedings has provided only a partial protection because a merchant located in, say, the Central Section of the C.P.T.A. has been free to accept orders from a customer in the B. C. Section if he takes delivery of the paper at his own warehouse and absorbs the shipping charges from there on. The extra expenses and difficulties involved in making sales under these conditions have been sufficient to make the general regulation an effective barrier to competition between merchants in different places.

Three classes of buyers were included in the list the mills maintained of firms eligible for the loyalty discount. It was apparently the case that no mill would grant a buyer the privileges that went with being recognized as a merchant, envelope manufacturer or converter unless all the mills approved that the buyer's name should be added to the mills' loyalty discount list. Records available in evidence show that it was the practice for the mills to approve such an addition before it was made and that mere nomination by one mill was not sufficient. An example of joint action in this matter is the case of Emile Robitaille of Quebec. Although this merchant was buying only from Eddy the following appears in the minutes of a Book and Writing Section meeting held on November 12, 1940:

" . . . "

Approval was given to the addition to the Loyalty Discount list of E. Robitaille, Quebec as from November 1st, 1940.

" . . . "

A merchant who was named on the mills' loyalty discount list was qualified to buy under conditions of sale that were available only to merchants. Whereas almost any really large buyer might get fine papers in

quantity at the base mill price, one of the privileges available to the merchant was that he could, in effect, get this price, less the loyalty discount of 5 per cent, even on smaller quantities. The advantageous conditions of sale applying to fine papers bought by fine paper merchants were for no lengthy period between January 1, 1935 and December 31, 1940 open to any buyer not on the mills' joint loyalty discount list and between January 1, 1941 and the time that this investigation started were not open at any time to any buyer not named on the list.

It has been mentioned that recognized converters and envelope manufacturers were eligible for the loyalty discount. The papers on which they might get the loyalty discount were, generally speaking, restricted to those suitable for use in their particular trades and the range was not so wide as that for merchants. Converters and envelope manufacturers were put on the loyalty discount list in the same way as were merchants and their applications for the loyalty discount were dealt with in similar manner to those submitted by the merchants. Converters and envelope manufacturers are large users of fine papers and the advantage to the mills of having them covered in the loyalty discount agreement was similar to the advantages with respect to the merchants. The converters and envelope manufacturers considered as "normally qualifying" for the loyalty discount were able to buy fine papers necessary to their operations under conditions of sale and at prices that gave them an advantage over any firms not so qualified.

IX. Summary and Conclusions

In the fall of 1948 an inquiry was commenced by the Commissioner of the Combines Investigation Act to determine whether a combine existed in connection with the manufacture, distribution and sale of fine papers in Canada. The inquiry was first directed to the operations of the fine paper manufacturers, of which there are seven, operating in Quebec and Ontario, and it was later extended to the operations of the fine paper merchants, of whom there are about two score, operating across Canada.

Early in the course of the inquiry some thousands of documents were obtained from the records of the fine paper mills and the fine paper merchants and from the records of the merchants' organization - the Canadian Paper Trade Association and related groups. The next step, preliminary to the formal oral hearings, was to present the parties with a general outline of the activities, apparently disclosed by the documents, which might be held to be contrary to the Combines Investigation Act. Witnesses, numbering 51 in all, were then called from the mills, the merchants and from the mill and merchant associations and they gave evidence running into some thirty-three hundred pages relating to the industry and trade generally, to distributive and pricing policies, and to the interpretation of the documents. The merchant firms from whom witnesses were not expressly called were invited to send witnesses to the hearings and those mills and merchant firms from whom witnesses were expressly called were invited to send additional witnesses if they wished to do so. In all cases the parties were invited to bring before the Commission any evidence they considered relevant. During these proceedings a detailed brief of a statistical and analytical nature was submitted on behalf of the fine paper mills and was supplemented by oral evidence from the persons who prepared it.

Following the formal hearings the parties were presented with a "Statement of Commission Counsel" which was drawn up at the request of the Commissioner by the Counsel appointed by the Minister of Justice to assist in the investigation. This "Statement", running over 400 pages, stated the case against the parties as it then appeared, and was for the purpose of affording them an opportunity to be heard in accordance with normal practice and the Inquiries Act. Most of the parties then appeared before the Commissioner, in person or by counsel, and made representations as to the "Statement".

The documentary evidence consisted primarily of price lists of the mills and the merchants; minutes of meetings of the mills, mostly as members of the Book and Writing Section of the Canadian Pulp & Paper Association; minutes of meetings of the merchants, mostly as members of the Canadian Paper Trade Association or its regional sections or related councils; and correspondence passing among such parties or internally among their officers or employees. This documentary evidence indicated substantially identical prices and practices among the mills, and among the merchants in the five different regions of the Maritimes, Quebec, Ontario, the Prairies (where prices varied uniformly from province to province) and British Columbia. Such evidence also indicated discussions and consultations among the mills, in meetings and by correspondence, before identical prices were announced; the compilation, at one stage,

of common prices in a publication of the Book and Writing Section called the Book and Writing Schedule; agreement upon ancillary price matters like finishing charges and packing differentials, which were from time to time included in published "Trade Customs"; discussions among the mills relating to customer classification and terms of sale to the different classes; discussions among mills and among merchants and among mills and merchants leading to the adoption of common discount structures; discussions among merchants, in regional meetings and by correspondence, upon prices and allied matters; dissemination by the secretary of the Canadian Paper Trade Association to the merchants of prices which they adopted (the "Hodder & Moffitt Schedules"); arrangements in local Quebec, Ontario, Prairie and British Columbia merchant organizations for audits by such organizations to detect deviations in pricing; the existence of a so-called "loyalty discount" which was given by the mills, under joint arrangement, to the merchants and certain other customers upon the stated condition that they import no papers which the mills ordinarily made; and the existence of a "quantity discount" also under joint arrangement. The evidence also indicated a fine paper wholesale trade that had seen comparatively few new entrants during the period covered by the investigation.

Commission Counsel argued that the documentary evidence, upon its face, proved that price and related agreements contrary to the Combines Investigation Act had been entered into among the mills, among the merchants and among the mills and the merchants, and that this was still its effect notwithstanding the oral evidence. The mills, merchants and other parties alleged to have entered into such agreements denied that the evidence had this effect. Their main submissions, both in the course of the final argument and in the course of the oral evidence, are discussed in the following paragraphs.

Mills and Merchants

No question was raised as to the authenticity of documents but question was frequently raised as to the interpretation to be placed upon them and in some cases the construction of a document by a witness was at variance with what appeared to be literally its effect. Had the documentary record been less extensive such issues might have loomed large in construing the evidence as a whole. No important question, however, turned upon any one document and no issue as to the construction of any particular document had an important bearing upon the inquiry as a whole. Making full allowance for possible ambiguities and obscurities of expression, the documentary evidence was of so extensive a nature and of so consistent a pattern as to leave no real question as to the meaning of the communications among the parties.

Mills

It was repeatedly denied in evidence and on the final argument that there had been any agreement upon uniform prices. It was conceded that costs, such as labour and raw material costs - some of which were the same for different companies - were discussed and, arising out of such discussions, prices also had been discussed. It was stated that the price arrived at for a particular grade of paper frequently depended entirely

upon the mill which was pre-eminent in the manufacture of that grade. The interpretation placed upon the discussions varied considerably among different witnesses. One witness, for example, gave evidence to the effect that he would go to a meeting with a line-up of his additional costs, which would be discussed at the meeting, whereupon the leading company would decide upon its price and he would have to make up his mind whether or not to follow it. Another witness stated it to be his understanding that when cost increases occurred the mills, upon occasion, got together to discuss their effect and to obtain each other's opinion but there was no atmosphere of agreement regarding prices. Still another witness stated that prices were discussed, that it would probably be taken for granted prices would be the same and that, on occasion, the leader in the field would be influenced in fixing its price by such discussions. It was generally agreed by the witnesses that in the result the prices when announced were the same.

It frequently happens in an industry in which one company manufactures the greater part of a particular product that the pricing policy of the company in respect of that product will be followed in a general way by the other companies in the industry without any collusion among them. Such a situation, however, is different both in the manner in which the result is arrived at and in the result itself from a situation where the price of the leading company is adopted by express or tacit understanding among the companies. In the latter situation it usually happens, as it did in this case, that notwithstanding the leading company may assert a predominant influence in fixing the price, the views of the other companies will be considered and at times permitted to affect the outcome. As to the result, there is greater possibility of independent action and of variations from the prices adopted in a situation where a number of companies follow, as a matter of independent policy, the prices of the leader as long as it is to their convenience to do so and a situation in which there is express or tacit agreement that the price of the leader will not be departed from. Moreover, simple price leadership, when the lesser manufacturers are merely adopting, for so long as it may suit them, the price of the leader, is not characterized by meetings and discussions among the companies before prices are announced, such as occurred in this case. Furthermore, the argument as to price leadership which was advanced chiefly in respect of book and coated papers has on the basis of the evidence only limited significance outside this field.

A somewhat related explanation of the relations charged as agreements was that one mill might at times make known its price intentions to other mills and think that it knew the intentions for the time being of such other mills; and that upon those intentions not being carried out by a particular mill, other mills might complain, whereupon the first mill would deny, explain or evade. Assuming this to be a correct interpretation of a relationship, it is difficult to see how it falls short of evidencing a tacit arrangement.

It was also argued that the mills might, without impropriety, agree among themselves upon certain matters ancillary to pricing such as freight charges, delivery charges and finishing charges so long as there was no agreement upon the basic mill price. It was argued that some of these ancillary matters, like freight, were not being made the subject of

agreement but simply of determination and that the public was entitled "to assume that one mill did not charge him more freight than another" (Record, p. 3410); and that certain differential charges should not vary among the mills and did not affect the base price. This argument failed to show why differential charges within the control of the mills should not be determined by independent policy as any other component of pricing should be; nor did it show why the determination of proper freight charges should have to be a matter of agreement. Finally, the argument advanced no convincing explanation as to why the mills should be interested in uniformity in these ancillary matters unless it was to support uniformity in overall prices.

Many of the ancillary pricing matters that are referred to in the previous paragraph, e.g., certain finishing charges and price differentials related to varying paper sizes, were published from time to time in the "Trade Customs". After the war this publication was revised in order to omit references to specific price differentials and to common action, and from then on the differentials that were jointly agreed upon appeared only in individual mill price lists. One submission was to the effect that any agreement concerning Trade Customs was agreement merely as to what were proper Customs; that the Customs were used only as a guide. The evidence relating to the use of the Trade Customs, however, does not permit so limited a significance to be attached to them and, having regard to such evidence, they must be considered as an integral part of an overall price arrangement.

Although it has been unnecessary in this case to consider, upon an assumption that there was no agreement on base price, what ancillary matters could be the subject of agreement without thereby creating an illegal trade combination, the intrinsic importance of some of these ancillary matters deserves some comment. Charges for extra services were not an inconsequential item in the cost of paper to the buyer; e.g., in September 1948 the Ontario buyer of one ton of white No. 7 bond paid \$13.95 per cwt. Of this amount, charges for sheeting, trimming on four sides, and packing in sealed protected bundles on a small skid made up \$1.50. If the paper were tinted there would have been an extra cost of 75¢. If the buyer wished a particular paper embossed he would pay an additional \$3.25 per cwt. for this service. Charges for ancillary services totalling over 10 per cent of the selling price are clearly of great importance to both buyer and seller. Moreover the evidence shows that in the post-war period when differential charges were fixed by agreement, the lowest charge suggested in discussion among the mills was not always the one that was made effective.

It was argued that the loyalty discount, so-called, whatever its original character, had of late years become simply a trade discount and that the procedure of applying for it through an independent firm of chartered accountants and listing imports had continued, partly as a matter of custom and partly for the purpose of keeping the mills informed as to the volume of imports, as affecting their prices and the lines they manufactured. It was emphasized that the evidence disclosed no instance in which this discount had ever been permanently withheld.

Up to the time of this investigation, applications for loyalty discount continued to be made through the accountant firm; each application was accompanied by certification that the applicant had not imported paper from abroad which could have been obtained in Canada and had conformed to all the requirements of the "Loyalty Discount Agreement"; and the lists of customers qualifying for the discount were still being prepared by the accountant firm and circulated among the mills for joint approval. Whatever may have been the mills' intention, and whether or not they might have been deterred in the final analysis by doubts as to the legality of the agreement or otherwise, from applying the final sanction, the evidence leaves no doubt that they were at pains to lead their customers to believe that the arrangement continued in effect. This procedure was not abandoned until well after the investigation had commenced.

It was argued that any apparent reluctance on the part of the mills to accept new merchant customers was simply the cumulative effect of each mill's state of satisfaction with the status quo and its belief that it was getting better distribution through the existing merchants than if it took on new, untried ones and thereby antagonized old and proven ones. Quite obviously a manufacturer may frequently be guided, in his individual policy, by such a consideration, and such considerations no doubt did weigh quite heavily upon the decisions of the mills. It is extremely unlikely though that the cumulative effect of such individual policies alone could have produced the rigidity that existed in the wholesale fine paper trade. Furthermore, the other facts indicate clearly that it was not solely a matter of individual policy but contained also strong elements of common policy.

Merchants

It was argued on behalf of the merchants that the preparation of the Hodder & Moffitt Schedules by that firm involved no agreement among the merchants upon common prices but was simply a clerical function of applying to mill prices a series of mark-ups which had grown up by the custom of the trade. In other words this argument proceeded somewhat upon the following lines: the mills in fact have similar prices for similar lines of paper; the merchants by the custom of the trade and not by collusion apply the same mark-ups; all that is left to be done in arriving at merchants' prices is to apply the mark-ups to the mill prices; this operation is clerical though somewhat complicated and it is to everyone's advantage and convenience that it be performed once and for all by competent accountants rather than be worked out individually by each merchant. When the Hodder & Moffitt Schedule system is regarded against the background of the meetings and discussions that took place and the audit system that accompanied it, it cannot reasonably be explained upon the basis suggested. It was also argued that the common mark-up schedules affected but a small proportion of the whole trade in fine papers. They did, however, affect all the papers which moved through the fine paper merchants' warehouses and were sold in less than direct mill shipment quantities. Further than this, the Hodder & Moffitt Schedules also included prices and conditions of sale for direct mill shipments on orders of the merchants and, while these were mill prices, they related to the price structures which were a matter of arrangement between mills and merchants.

As to the audit systems in the Ontario and Quebec groups, it was contended by certain witnesses that these were merely collective schemes of individual audits, the only purpose of which was to obtain competent auditing services for each merchant upon economical terms. The evidence that is referred to in Chapter VII of this report indicates clearly that this was not the real purpose of the audit; that the real purpose was not merely to check the accounting errors of an individual firm but to disclose deviations from agreed prices and lay them open to examination and censure.

Conclusions

After careful consideration it would not appear that the explanations and arguments by and on behalf of the parties alter the inferences that are to be drawn from the clear words of the documents; and in many respects, of course, the oral evidence supports rather than contradicts such inferences. For example, at least one mill witness stated that agreements were made upon certain price differentials, though not upon basic prices. Another mill witness stated, in respect of a more or less typical price discussion, that as a result thereof it was his understanding that the other party would adopt the prices mentioned and he thought the other party understood that the witness would adopt them also. The secretary of the merchants' association stated that one purpose of the Ontario section audit was "a certain amount of the feeling of stability . . . in the market"; and a British Columbia merchant stated it to be his understanding that the prices established by the British Columbia merchants "were supposed to be adhered to". The evidence, documentary and oral, establishes the following picture.

The seven fine paper mills in Canada manufacture in different proportions the lines known in the industry and trade as "fine papers" including principally book papers for the printing of books and magazines other than newspapers; bond, ledger and writing papers for use with machine, pen or pencil in the office and in the home; and miscellaneous papers like index card, cover and blotting papers. The most complete range is made by Howard Smith, particularly if the subsidiary companies - Canada Paper, Alliance and Don Valley - are considered along with the principal company. Not all lines are made by every mill. Provincial is pre-eminent in the manufacture of book and coated papers; Rolland and Howard Smith share the leading position in the manufacture of certain fine writing grades; while Eddy is a large producer of sulphite grades of writing paper. Within the grades with which this report is concerned, Alliance specializes in the production of coated papers, Don Valley's production falls mostly in miscellaneous lines and that of Canada Paper chiefly in groundwood lines. The fine paper mills sell direct to certain classes of large users such as publishers, converters, envelope manufacturers and large commercial printers. To other users, including the smaller operators in the categories mentioned, fine papers are distributed through the fine paper merchants. The merchants' field, while overlapping that of the mills, is a distinct section of the trade, accounting for the distribution of about 40 per cent, by value, of fine papers used in Canada.

The fine paper mills, except Canada Paper in recent years, have been associated in the Book and Writing Section of the Canadian Pulp and Paper Association but of late years their activities here under review tended to be carried on in formal dissociation from that organization.

The mills have entered into and, when this inquiry began, they operated under, arrangements designed to eliminate or lessen competition in the distribution and sale of their principal lines of fine papers. These arrangements took the form, in part, of agreed uniform prices and, in the case of certain large individual accounts, agreement to respect each other's customers or, in some cases, not to solicit another's customer on a price competition basis. Such arrangements, of many years existence, were maintained by understandings arrived at in meetings, by correspondence and in conversations. During part of the period under review many of the common prices were contained in a joint publication called the Book and Writing Schedule. Ancillary price agreements relating to freight and to differential charges for such things as trimming and colours, which were necessary to support the main agreements, were made in similar manner. From time to time the mills made a general review of their price structures and put into effect new systems of list prices and discounts.

Such general revision was sometimes made in collaboration with the merchants. Among other things, the mills and the merchants in some cases sold to the same class of customer. Thus in a typical mill price structure the prices shown for sales direct by the mill to certain large consumer accounts would be in fact the same prices at which merchants would sell such accounts if they chose to order through a merchant.

The number of firms engaged in the wholesale fine paper trade has shown little change over many years. Such trade is almost exclusively in the hands of the members of the Canadian Paper Trade Association. Such membership comprised 36 in 1950 if affiliates are counted, and otherwise 29. Between 1935 and 1941, three new members were admitted to this association, and, between the latter date and the commencement of this investigation, no new members. Of the three new members mentioned, two were affected by circumstances related to a change of merchandising policy on the part of one of the leading mills. That part of the wholesale trade which was not embraced by the Canadian Paper Trade Association comprised a handful of merchants, the principals in which were unsuccessful in gaining membership, and the remainder of which have not played any large part in the trade.

Within local sections of the Canadian Paper Trade Association and related councils the merchants agreed upon common prices and other conditions of sale. These common prices, or the bases upon which they were arrived at, were calculated by the secretary of the Canadian Paper Trade Association, for the Maritime, Quebec, Ontario and Prairie groups, by applying agreed mark-ups to mill prices. In the British Columbia group they were disseminated through the Fine Paper Division of the Paper Distributors Council. The agreements among the merchants were established and maintained through correspondence and at meetings held in Toronto where the firm of Hodder & Moffitt (a member of whom was secretary of the Canadian Paper Trade Association) was principally established and in Montreal and Winnipeg where it had branches, and in Vancouver and from time to time at centres other than Winnipeg in the Prairie Provinces. Under the arrangements in effect in the Quebec and Ontario territories the books of most of the merchants were regularly audited by Hodder & Moffitt for the purpose

of detecting deviations from agreed prices and in the Prairies and British Columbia they were subject to audit for the same purpose.

The arrangements among the mills and the arrangements among the merchants had many points of contact and made up an integrated and common system. Representatives of both groups sometimes came together at annual meetings, usually of the Canadian Paper Trade Association, and relations were also carried on through the medium of the merchants' Mills Relation Committee and to no little extent through the medium of the secretary of the Canadian Paper Trade Association. By such means the mills and merchants discussed and adopted pricing structures through which common prices and practices could be implemented. The strongest bond of mutual interest was that, to the greatest degree possible, only the merchants should deal at wholesale in the mills' papers and the merchants should handle only the mills' papers. The mills on their side resisted the recognition of new merchants (while the established merchants denied them the advantage of certain stock-sharing privileges) and the merchants on their side mutually discouraged and largely refrained from the importation of foreign papers. Another strong bond was the stabilization of prices which to the merchants meant assured margins and to the mills a satisfied wholesaling trade that seldom came back upon the mills for better prices.

This mutually satisfactory arrangement found a measure of formal expression in the so-called "loyalty discount agreement" which is fully described in Chapters IV and VIII and which meant, in brief, that the mills gave a 5 per cent discount to merchants, converters and envelope manufacturers on certain lines of papers upon certification of such customers that they had imported no papers of a class ordinarily manufactured by the mills. Whether or not the mills ever intended to deprive a merchant permanently of this discount, they clearly gave the merchants to understand that they could import only subject to such danger. The arrangement thereby achieved its purpose even though the mills may never have applied the final sanction.

Besides the co-operation among the merchants that existed in each regional group, certain measures of co-operation existed between groups by way of the merchants in one group respecting the prices of another group; and certain co-operation for the same purpose existed between the groups and the mills, whereby the mills refused to accept orders from a merchant in one territory for a direct mill shipment to be delivered to a consumer in another territory.

That being the general nature of the mills-merchants arrangements, it remains to examine a number of arguments to the effect that, even were arrangements found to exist, they were not of such a character as to come within the prohibitions of the Combines Investigation Act.

The Act, for present purposes, forbids a combination that has or is designed to have the effect of limiting facilities for dealing in, or fixing a common price or a resale price of, or enhancing the price of, or preventing or lessening competition in, or substantially controlling the supply or sale of, or otherwise restraining or injuring trade or commerce in, any commodity, and which combination has operated or is

likely to operate to the detriment or against the interest of the public, whether consumers, producers or others. The arguments now under consideration were to the effect that even if arrangements are found to exist and to have one or more of the effects first above mentioned, they do not, for the reasons assigned, meet the final and governing requirement that they be to the detriment of the public. Before examining these arguments it is appropriate to remark that the arrangements do have, in varying degrees, all the other effects enumerated above.

One argument advanced on behalf of the mills refers to the loyalty discount agreement. It was submitted that if the loyalty discount had, in the early years, been of the nature ascribed to it by some of the documents, it could be justified for the part it had played in building up the fine paper industry in Canada. Because of foreign tariff policies, Canadian manufacturers had to depend largely upon the domestic market; this meant a comparatively few machines making many lines and denied the industry the economies of long machine runs on individual grades, colours and weights. The loyalty discount had enabled the Canadian industry to become established in the face of these odds, to the lasting advantage, not only of the industry but of the public generally.

Obviously, however, this was a tariff and a legislative function and not one for private control, and this must be the disposing consideration. It may be added, however, that it is difficult to appraise the value of the argument that Canadian mills face difficulties because they sell in a small market. This argument might have different values in different times and for different grades of paper. It is true that the domestic market in the United States is much larger than in Canada, the populations being in the approximate ratio of eleven to one; and that the production in the United States of the fine papers concerned in this report appears to have been roughly seventeen times greater than in Canada. It also appears to be true, however, that a much higher proportion of United States production than Canadian production is in book papers, which might be expected in view of the size and extent and frequency of circulation of the leading periodicals; and, in an article in The Paper Industry of June 1952, it is reported that there are 214 fine paper mills in the United States. An appraisal of the comparative advantages of Canadian and United States manufacturers in respect of long machine runs would obviously require a closer examination into the degrees of specialization practised by the United States mills than is within the province of this inquiry. In Canada, in the post-war years, no one of the seven Canadian companies made all the various fine paper grades; for some grades there was only one maker, for others only two, for others three and for few were there more than four.

It seems probable that, having regard to the development of the Canadian industry and the growth of the Canadian market, the handicaps which the fine paper mills once faced have now largely disappeared, particularly in respect of the main grades of fine paper. Since 1920 the Canadian per capita consumption of fine papers has more than doubled, the population has increased by almost 60 per cent and the number of manufacturers per grade has, if anything, tended to decrease.

The argument that the loyalty discount was used to build up a strong Canadian industry is an appealing one. It loses appeal upon a recognition of the fact that the existing tariff was the measure of protection which Parliament determined the industry should have. It loses appeal also upon a recognition of the fact that to the extent the argument could be of value, it would have to assume that the Canadian consumer was paying, at the instance of the industry, the extra protection which the system afforded against imports. It becomes even less appealing against the background of certain of its incidences: for example, the position of certain merchants who, small as the entire group was, were refused the privilege of buying a full line of Canadian papers, and at least one of whom was threatened, if he sought to import the deficiency, with a loss of the loyalty discount, even upon those papers which he could buy in Canada.

It was argued on behalf of Provincial that its arrangements with merchants were somewhat different from those of the other mills because it did not give all its lines to any merchant who wanted them and in fact gave only one or two merchants in any one centre those of its papers of grades that were made by other mills. Although Provincial may have restricted the distribution of its papers to a slightly smaller number of merchants than did some of the other mills, its behaviour in this regard does not seem to have been different in any essential respect from that of the other mills.

It was argued that Provincial had never been a party to any agreement on its base prices, i.e., published prices before addition of charges for finishing, cutting, packing, shipment, etc.; and that Provincial did a large part of its business on a direct mill-consumer basis in which no merchant participated, at prices below base prices; and a review of Provincial's internal price schedules indicates that a substantial part of Provincial's business may have been on this basis. Provincial, pre-eminent as it was in the book paper field, had a special interest in publishers' business and was faced from time to time with potential competition from imported papers. The prices it quoted on some such occasions were less than base prices and the actual prices were probably not known at all times to the other mills. The evidence indicates, however, a considerable exchange of information among the mills relating to customers and prices with the understanding that a special price offered by a mill to one of its special accounts would not be underquoted by another mill which was interested in the same business.

It was argued, as it is frequently argued in the course of investigations under the Act, that the prices charged by the parties were "reasonable" prices, so that, if arrangements were found to exist they would nevertheless not meet the requirement of involving detriment to the public. This argument ignores the fact that, in interpreting the Act and the corresponding provisions of the Criminal Code the courts have declared that the public is entitled to have prices regulated by open competition among the parties and that it is neither desirable nor possible to maintain that day-to-day surveillance of industry which would have to be maintained if the validity of arrangements were to be measured by "reasonableness" of

the prices fixed by the parties. This is sufficient to dispose of the argument but a further observation may be in order. It is apparent that, if the "reasonableness" of prices were to be the test, standards of "reasonableness" would have to be set up. "Reasonableness", if established, would have to be established in relation to other factors of the industry such as efficiency, wages, dividends, reserves, executives' salaries, etc. In short, as has been pointed out in other reports, an invitation to pass upon the "reasonableness" of prices, is an invitation to regulate and it is the policy of the Act to avoid regulation and to leave the determination of prices to competition among the parties. Moreover, the difficulties of making any attempt to pass upon "reasonableness" of prices, having regard to the changing conditions of the industry and trade and the varying circumstances of individual manufacturers and merchants, under which the arrangements have operated, are evident in the present case.

It was further argued that prices in the fine paper industry had, in the de-control period, met the requests of public authority that any price increase in the period should be moderate. Certain graphical material was submitted as showing that price increases made over the years had not been sufficient to preserve, as of 1949, the relative profit position on fine papers as compared with other paper products, that had existed in 1945. Similar material was submitted as demonstrating that fine paper prices were such that when reduced to index form, increases in prices of fine papers, as a group, were proportionately lower than increases in prices since 1939 for consumer goods generally, lower proportionately than increases in weekly earnings, and lower proportionately than the costs of the four principal raw materials entering into the production of paper. Even if one were to embark upon a study of the "reasonableness" of particular prices, generalizations of this kind would be of little help. The factors entering into consumer prices differ so from one manufacturer to another, and in different branches of the same industry, and from industry to industry, that without full knowledge of all the factors having a bearing upon price, such as changes in efficiency, in level of output, in market demand, in costs of materials and their utilization, useful comparisons could not be made. Moreover, in order to assess the price trend from the final price position, it is necessary to know whether such prices commenced from a depressed, a normal or an enhanced level at the beginning of the period under review. It is of some significance that the fine paper prices established early in 1948 held steady in the last half of 1948, all of 1949 and the first part of 1950 when the prices in other countries were falling.

A similar argument as to "reasonableness" of prices was raised in the case of the merchants and directed to their mark-ups and the answer to the argument lies on similar lines as in the case of the mills. It may be added by way of further comment however, that by and large the merchants' common rates of mark-up stood steady in good times as in bad. They stood almost steady throughout periods in which the total amount of business done by the merchants increased greatly and during periods in which the cost of paper upon which the mark-ups applied also increased greatly without necessarily involving a corresponding increase in the merchants' costs of doing business. It was argued on behalf of certain merchants that their percentages of gross profits had decreased in recent years.

In the case, however, of three Toronto merchants on whose behalf the argument was specifically advanced, net profits after taxes for the three-year period 1946, 1947, 1948 as compared with the three-year period 1937, 1938, 1939 increased by approximately 28 times, 48 times and 5 times respectively, and in no case did any such firm fail to make a net profit for any one year's operations. This does not necessarily indicate that the profits were excessive. It does indicate the inadequacy of the criterion suggested for measuring the "reasonableness" of prices.

Lest the reader take the impression that the system described in the foregoing pages eliminated all competition among the mills and the merchants and found them always in accord in the imposing of agreed prices upon the public, a note of warning is desirable. Within the system, each of the parties was generally seeking to improve his individual position and this involved considerable temptation to gain an advantage by departing from the arrangements. This temptation was not always resisted. Among the merchants, particularly, there were several whom it was difficult and not always possible to keep in line. One mill described certain instances of what the documentary evidence indicated to be co-operation as "evasive action" by which was apparently meant a policy of pretending collaboration while actually taking an independent course. In the case of the mills, no limitations on production (as distinguished from specifications for certain lines) or limitations on innovations are disclosed. Provincial, in fact, had obtained and was employing, the right to manufacture under patent a new type of coated book paper which was causing very considerable displacement of the existing lines. In the case of the merchants there were from time to time withdrawals from and returns to, the sectional groups, although such withdrawals entailed no breaks with the underlying arrangements. Developments, deviations and defections never reached the stage, however, of seriously endangering the overall arrangements or impairing the control which the mills and merchants exercised over the industry and trade.

Neither these deviations nor any competition that remained in price, product, salesmanship or service can be said to save the arrangements from the conclusion that they lessened competition to a degree detrimental to the public. The courts have, from time to time, declared that the combines legislation was enacted for the protection of the public interest in free competition; that competition is to be allowed to regulate prices; and that the question whether an arrangement prevents or lessens competition to a degree that is detrimental to the public is one of fact depending on the particular case. In a recent case under section 498 of the Criminal Code¹ the Court said:

"One thing clearly established by the evidence and to be placed in the foreground is that some of the main elements of free competition in the manufacture and sale of bread and bakery products, wholesale and retail, in the three provinces with which we are concerned are (a) price - including a

¹ Rex v. McGavin Bakeries Limited et al (1951) 3 W.W.R. (N.S.) 289.

willingness to be satisfied with a lesser profit; (b) quality or value; (c) service; and (d) salesmanship, and these elements in turn can readily be divided again into a number of sub-elements. This no doubt applies to many, if not all, industries in Canada and elsewhere. I am satisfied that in the baking industry in these three provinces, of the elements mentioned, price transcends all the others combined. Without genuine and active competition in price in trade or commerce, with each corporation or firm setting its own price based upon the efficiency of its operations and in the exercise of its independent judgment, together with a recognition of the public right, the other elements will, become of negligible value and tend to disappear altogether. . . ."

Despite the differences between the circumstances of that case and the present case, these words appear to be of direct application to the arrangements under review.

It was argued that, even if the record proved that competition had been lessened, it failed to indicate that any detriment to the public had resulted from such lessening. The courts have indicated, however, that the existence of detriment is related to the degree to which and the area over which competition has been lessened and that it is always a question of fact as to whether in a particular case such degree has been reached. Having regard to the degree to which the arrangements here in question both tended to and did lessen competition, and the area of the industry and trade over which they extended, it is clear that such arrangements have deprived the public of the benefits of competition to such an extent as to be detrimental to the public.

A considerable number of other submissions were made in the course of the inquiry but they do not bear so directly upon the issues involved as do the foregoing and it does not appear to be necessary to review them in detail. In many cases they constituted subsidiary aspects of the main arguments. They are not, however, to be taken as overlooked.

As the statistics given in Chapter II indicate, the seven companies engaged in the manufacture of fine papers varied considerably in size and in volume of their production of fine papers. The documentary evidence indicates also that they participated in differing degrees in the joint arrangements that have been described. It may be said that Howard Smith, Eddy, Provincial and Rolland played the greatest part in the formulation of common policies. Alliance, Don Valley and Canada Paper, whose output was both much smaller, over the whole field, than that of the other companies and tended on the average to be more specialized, played a relatively smaller part in the making of arrangements. It will have been apparent from the documentary evidence that has been cited that this is so. The three last-mentioned companies nevertheless did play a significant, even though a relatively less important, part in the arrangements under review. They were all parties to the loyalty and quantity discount arrangements, and the documentary evidence, of which illustrations have been cited in the foregoing chapters, indicates that the common prices they shared with the other companies were the result of participation in the general scheme.

As in the case of the mills, so also in the case of the merchants, the parties differed considerably in degree of importance and participation. Such participation ranged from the very active to the comparatively passive. All merchants who at the time this inquiry commenced were members of the C.P.T.A. however, gave general support to the merchant arrangements.

Having then reviewed carefully all the evidence and the representations made by and on behalf of the parties, I am of the opinion that a combine or combines within the meaning of the Combines Investigation Act existed when this investigation began in the fall of 1948 and thereafter in connection with the manufacture, distribution and sale of fine papers in Canada and that the following were parties or privy to or knowingly assisted in the operation thereof:

Alliance Paper Mills Limited
Canada Paper Company
Don Valley Paper Co. Limited
The E. B. Eddy Company
Howard Smith Paper Mills, Limited
Provincial Paper, Limited
Rolland Paper Company Limited
Barber-Ellis of Canada, Limited
Barber-Ellis of Montreal, Limited
Barber-Ellis of Winnipeg, Limited
Barber-Ellis of Regina, Limited
Barber-Ellis of Alberta, Limited
Barber-Ellis of Vancouver, Limited
Barber-Ellis, Maritime, Limited
The Barkwell Paper Co.
The Brown Brothers, Limited
Buntin, Gillies & Company Limited
Buntin Reid Paper Company Limited
Canada Paper "Wholesale" Limited
Clark Brothers and Company Limited
Coast Paper Limited
Columbia Paper Company Limited
W. V. Dawson Limited
Federal Paper Company Limited
Fine Papers (London) Limited
Fine Papers Limited
W. J. Gage and Company Limited
The Fred W. Halls Paper Company Limited
T. Havill Paper Company
Hillier Paper Limited
Kruger Paper Company Limited
T. B. Little Papers Limited
McFarlane Son & Hodgson (Limited)
Mid-West Paper Limited
John Neville Paper Company
Phillips Paper Co. Ltd.
La Compagnie J. B. Rolland & Fils
Schofield Paper Company, Limited
Smith, Davidson & Wright, Limited

L.-P. Turgeon & Fils
United Paper Mills Limited
Whyte-Hooke Papers Limited
The Wilson-Munroe Company Limited
Hodder & Moffitt, Trade Association Secretaries

It seems desirable to make some comment on the tariff situation. The development and operation of the restrictive arrangements described in this report have been facilitated by the rates of customs duties applying on imported papers, particularly in the case of papers imported for resale. In the case of paper used for periodical publications, the rates of duty for a considerable period have been substantially reduced by reason of the drawback provisions described in Chapter I, and, since June 1951, uncoated and coated book papers for use for this purpose have been free of duty under the Most-Favoured-Nation Tariff. The restrictive arrangements have been least apparent in this class of business, and, at the same time, the Canadian mills appear to have been successful in holding the trade of Canadian publishers. Certain price statistics were submitted on behalf of the fine paper mills as showing that the gap between Canadian and United States domestic prices, each in their own currency, had steadily narrowed in the period from 1946 to 1950 so that, in September of the latter year, the cost to a Canadian buyer of three of the four grades selected as a basis of comparison was lower than the cost of the comparable grade to a United States buyer. Notwithstanding these statistics, however, it would not appear that United States prices and Canadian prices have come into such a long-term relationship that the Canadian market would be unaffected by increased competition from United States sources arising out of a modification of the existing tariff. It would appear likely that a modification of the tariff would have a substantial tendency toward the restoration of freedom of opportunity for entry into the wholesale fine paper trade, which has hitherto been so closely restricted, and would assist generally in the restoration of competition throughout the industry and trade. The immediate effects on prices might vary among the different classes of paper and different geographical areas in Canada. The widening of the opportunities for consumers and traders to turn to alternative sources of supply would establish a public safeguard and weaken tendencies toward restrictive practices. It has not been one of the functions of the Combines Investigation Commission to make specific recommendations in respect of rates of tariffs, and, in the present case, the attention of the parties was, therefore, not directed expressly to the question as to whether tariff action should be recommended. In the circumstances, it would not be warranted to do more than suggest that modification of the rates of tariff be carefully considered, and it is suggested accordingly.

T. D. MacDonald

Commissioner
Combines Investigation Act

October 23, 1952

APPENDIX I

LIST OF PAPERS INCLUDED IN CLASSIFICATIONS USED BY THE
CANADIAN PULP AND PAPER ASSOCIATION

GROUNDWOOD, PRINTING AND SPECIALTY PAPERS
(Containing more than 50% Groundwood)

Hanging

Catalogue and Directory

Novel News and News Tablet

Poster and Railroad Manilla

Box Lining and Covering

Printing

Rotogravure

Writing, Mimeograph and Tablet

Bulking Book and Drawing

Continuous Form and Sales Book

Coating and Carbonizing

Machine Coated

Plain and Super

Other Groundwood Papers

BOOK PAPER - (including printing paper with
50% or less groundwood)

GENERAL PRINTING

Plain and Super - Free groundwood

Plain and Super - Containing groundwood

Machine Coated - Free groundwood

Machine Coated - Containing groundwood

Label, Music, Poster and Wraps

Text

Bulking Book

Rotogravure

CONVERTING PAPERS

Body Stock for Coated Book - Free from groundwood

Body Stock for Coated Book - Containing groundwood

Other Converting Book and Printing Papers

Lithograph

Offset

Bible Paper and Imitation Bible

Other Book Paper

FINE PAPERS

WRITING PAPER

Rag Content

Bonds and Writing

Ledgers

Manifold

Papeterie and Weddings

Base Stock for Safety Cheque

Other Rag Content

FINE PAPERS (Continued)

Sulphite Writing
Envelope including Manilla Envelope
Exercise Book, Adding Machine and other
business machine papers
Bonds, Writing, Ledgers and Manillas (including
Register, Sales Book and Fanform)
Manifold
Mimeograph
Papeterie
Base Stock for Safety Cheque
Other Sulphite

OTHER FINE PAPERS

REPRODUCTION PAPER

Blueprint
Photographic and other Sensitizing Stock
Base Stock and Check Paper

MISCELLANEOUS FINE PAPERS

Blotting
Filter
Matrix Paper and Board
Vulcanized Fibre Stock
Other Absorbent Paper
Sulphite Converting Paper including cup paper
Cover Paper
Bristols
Index
Printing (mill)
Uncoated Postcard
Bogus Bristol
Other Bristols
Blanks (uncoated)

COATED

Paper Coated 2 Sides
Paper Coated 1 Side
Miscellaneous - including all coated boards.

APPENDIX LX.

CANADIAN PAPER TRADE ASSOCIATION

B Y - L A W S

(Revised to January 25, 1940)

Article I - NAME

The Name of the Association shall be:

"CANADIAN PAPER TRADE ASSOCIATION"

Article II - PURPOSE

The purpose of the Association shall be to foster and promote the best interests of the paper trade.

Article III - MEMBERSHIP

(1) A Fine Paper Dealer or Merchant is defined as follows:

A Corporation, Firm or Individual, whose principal business is selling for resale or processing, and carrying a general stock of the various grades of stock sizes and weights of Fine Papers, Cardboards, Envelopes, etc., from which any quantity, large or small, can and will be sold.

(2) Applications for membership shall be made to the Secretary, and shall be referred to the territorial section, whose action thereon shall be final.

Article IV - SECTIONS

(1) There shall be four sections of the Association to be known as:

MARITIME - Nova Scotia and New Brunswick;

CENTRAL - Quebec and Ontario;

PRAIRIE - Manitoba, Saskatchewan and Alberta;

BRITISH COLUMBIA - British Columbia.

(2) Each Section shall elect a chairman, who shall be a member of the Executive Council of the Association as provided by Article VI Section (1).

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Article V - OFFICERS

- (1) The officers of the Association shall be a President, a Vice-President, and a Treasurer. A Secretary shall be appointed as provided by Article VI Section (7).
- (2) The officers of the Association shall be nominated by the Executive Council and elected by the Association at the annual meeting to serve through the next annual meeting or until their successors are elected and installed. All elections shall be by ballot.
- (3) It shall be the duty of the President to preside at all meetings of the Association and of the Executive Council. He shall exercise a general supervision over the affairs of the Association, subject to the Executive Council. He shall perform such other and customary duties as are incident to the office of President.
- (4) The Vice-President shall, in the case of the disability or absence of the President, discharge the duties pertaining to the office of President.
- (5) The Treasurer shall have charge of the funds of the Association and shall sign, with the Secretary, all cheques for disbursement of the same. He shall prepare and present to annual meetings of the Association a report of receipts and expenditures of the Association since the last annual meeting. In the absence of the Treasurer or Secretary, the President shall sign, with either of them, cheques for disbursement of funds.
- (6) The President shall, at the annual meeting, nominate the representative of two members of the Association to act as Auditors for the ensuing year.

Article VI - EXECUTIVE COUNCIL

- (1) The Executive Council shall consist of the officers of the Association together with the Chairman of each of the four Sections of the Association and the Chairman of the Mills Relation Committee. The retiring President shall be a member of the Executive for one year following his retirement from office.
- (2) The Executive Council shall have general charge and control of the affairs of the Association.
- (3) The Executive Council shall meet upon the call of the President, or, in his absence, the Vice-President, at such time and place as he may designate.

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Article VI - EXECUTIVE COUNCIL (continued)

- (4) The Executive Council may vote by mail upon any matter affecting the affairs of the Association and within the jurisdiction of the Council, with the same force and effect as if taken at a meeting of the said Council.
- (5) Such members of the Executive Council, who shall be present at any annual meeting of the Association, shall act as a Committee on Nominations with respect to the election of officers and Mills Relation Committee, and shall bring in recommendations to the annual meeting.
- (6) The Executive Council shall have the power to fill any vacancy which may occur among the officers of the Association.
- (7) The Executive Council shall have power to provide accommodations for headquarters and to employ a secretary and such other clerical force as it may find necessary and expedient.
- (8) Four members present at any meeting of the Executive Council shall constitute a quorum.

Article VII - SECRETARY

It shall be the duty of the Secretary to keep a record of the proceedings of the Association at its meetings; to keep a correct roll of the members of the Association; to conduct all correspondence; and to perform such other duties as the Executive Council may direct.

Article VIII - COMMITTEES

- (1) The Mills Relation Committee shall consist of three members.

The members of this Committee shall be nominated by the Executive Council and elected by the Association at the annual meeting to serve through the next annual meeting or until their successors are elected. All elections shall be by ballot.

The Committee shall elect a Chairman from among its members.

It shall have charge of all negotiations with respect to matters of mutual interest as between the Mills and this Association, unless, at some general meeting, special committees are appointed to deal with any specific matters.

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Article VIII - COMMITTEES (continued)

- (2) The Advisory Committee shall consist of four members, two of whom shall be the representatives comprising the Mill Relation Committee.

The members of this Committee shall be nominated by the Executive Council and elected by the Association at the annual meeting to serve through the next annual meeting or until their successors are elected. All elections shall be by ballot.

The Committee shall receive, consider and offer recommendations on questions of principle or policy affecting the Association or any Section thereof; it shall bring to the Association or any Section questions or conditions deemed to warrant attention or action.

Article IX - MEETINGS

- (1) The annual meetings of the Association shall be held at such time and place as may be fixed by the Executive Council.
- (2) Special general meetings shall be held at such times and places as the Executive Council may determine or by resolution of the Association at any meeting.
- (3) A special general meeting of the Association shall be competent to deal with any matter affecting the affairs of the Association.
- (4) In the event of any circumstance arising which, in the opinion of the Executive Council, constitutes an emergency, whether such circumstance relates to any matter dealt with by a previous general meeting or otherwise, the facts shall be placed before the various sections by the Secretary, and the decision of the Sections respecting such circumstances shall be adopted by the Association, but only if the decision of the Sections is unanimous.
- (5) Notices calling the annual or any special general meeting may be sent to the members by mail or telegraph, and must be forwarded in such time as to enable it to reach all the members of the Association at least eight (8) days prior to the day of such meeting.
- (6) Fifty per centum of the membership of the Association shall constitute a quorum at any general meeting of the Association.

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Article X - VOTING

Each person, co-partnership or corporation being a member of this Association, carrying on a distinct business, shall be entitled in all matters requiring the action of the Association, to one vote, and only one vote, irrespective of the number of branches which such member shall have in operation, which power to vote may be delegated by a written proxy.

Article XI - DUES

Each member of the Association shall pay an annual fee, the rate and basis of assessment to be determined by the Executive Council from time to time.

Article XII - AMENDMENT

These By-Laws may be amended at any general meeting of the Association or by a two-thirds vote of the Executive Council; any amendment made by the Executive Council is subject to the action of the Association at the next general meeting.

APPENDIX III.

CODE LETTERS AND NAMES AND LOCATIONS OF MILLS, MERCHANTS, AND
OTHERS TO WHOM THEY WERE ASSIGNED.

Name of Mill, Merchant, Etc.	Location of Office	Code Letter
<u>Mills</u>		
Alliance Paper Mills Limited	Toronto, Ont. Winnipeg, Man.	APS APW
Canada Paper Company	Montreal, P.Q.	CP
Don Valley Paper Co. Limited	Toronto, Ont.	DVA
The E. B. Eddy Company	Hull, P.Q.	EBE
	Agents offices { Winnipeg, Man. Vancouver, B.C.	TPW TFV
Howard Smith Paper Mills Limited	Montreal, P.Q. Winnipeg, Man.	HS HSW
Provincial Paper Limited	Toronto, Ont.	PLT
Rolland Paper Company Limited	Montreal, P.Q. Winnipeg, Man.	ROL ROW
<u>Merchants</u>		
Barber-Ellis of Canada, Limited	Toronto, Ont.	BET
Barber-Ellis of Montreal, Limited	Montreal, P.Q.	BEM
Barber-Ellis of Winnipeg, Limited	Winnipeg, Man.	BEW
Barber-Ellis of Regina, Limited	Regina, Sask.	BER
Barber-Ellis of Alberta, Limited	Calgary, Alta. Edmonton, Alta.	BEC BEE
Barber-Ellis of Vancouver, Limited	Vancouver, B.C.	BEV
The Barkwell Paper Co.	Winnipeg, Man.	BARK
The Brown Brothers, Limited	Toronto, Ont.	TAN
Buntin, Gillies & Company Limited	Hamilton, Ont.	BGC
Buntin Reid Paper Company Limited	Toronto, Ont.	BRF
Canada Paper "Wholesale" Limited	Toronto, Ont. Montreal, P.Q.	CFT CPW

<u>Name of Mill, Merchant, Etc.</u>	<u>Location of Office</u>	<u>Code Letter</u>
<u>MERCHANTS (Continued)</u>		
Clark Brothers and Company Limited	Winnipeg, Man. Regina, Sask. Saskatoon, Sask. Edmonton, Alta.	CBC CBR CBS CBE
Coast Paper Limited	Vancouver, B. C.	COA
Columbia Paper Company Limited	Vancouver, B. C.	CCL
W. V. Dawson Limited	Montreal, P.Q.	WVD
Federal Paper Company Limited	Montreal, P.Q.	FFC
Fine Papers Limited	Toronto, Ont.	FNE
W. J. Gage and Company Limited	Winnipeg, Man. Vancouver, B. C.	WJW WJV
The Fred W. Halls Paper Company Limited	Toronto, Ont.	FHP
T. Havill Paper Company	Montreal, P.Q.	TH
Hillier Paper Limited	Winnipeg, Man.	HPC
Kruger Paper Company Limited	Montreal, P.Q.	KRV
T. B. Little Papers Limited	Montreal, P.Q.	LIT
McFarlane Son & Hodgson (Limited)	Montreal, P.Q.	MCF
Mid-West Paper Limited	Winnipeg, Man. Regina, Sask. Saskatoon, Sask. Calgary, Alta. Edmonton, Alta.	MID MIR MIS MIC MIE
John Neville Paper Company	Ottawa, Ont.	JNP
La Compagnie J. B. Rolland & Fils	Montreal, P.Q.	JBR
Smith, Davidson & Wright Limited	Vancouver, B. C. Calgary, Alta. Edmonton, Alta.	SDW SDC SDE
L. P. Turgeon & Fils	Quebec, P.Q.	LPQ
United Paper Mills Limited	Toronto, Ont.	UPM
Whyte-Hooke Papers Limited	Toronto, Ont.	WFL
The Wilson-Munroe Company Limited	Toronto, Ont.	WIL

<u>Name of Mill, Merchant, Etc.</u>	<u>Location of Office</u>	<u>Code Letter</u>
<u>Others</u>		
W. J. T. Adamson & Company	Montreal, P.Q.	AD
Hodder & Moffitt	Toronto, Ont. Montreal, P.Q. Winnipeg, Man.	HOT HOM HOW
Paper Distributors Council of B. C.	Vancouver, B. C.	PDC

APPENDIX IV

QUEBEC FINE PAPER COUNCIL ARRANGEMENT

January 17, 1938.

1. Fine Paper Merchants located in the Province of Quebec do hereby enter into this agreement to form and become members of the Quebec Fine Paper Council for the purpose and with the objects following, namely:

The promotion of friendly business relations between the members as Fine Paper Merchants and the trade generally, and for conference and mutual aid, working toward the elimination of unfair and unsound business practices in the wholesale Fine Paper trade.

2. This agreement shall come into effect on the 1st day of February, 1938, and shall continue in force and effect until the 1st day of July, 1938, and may be renewed upon such terms and for such period as may be determined by unanimous vote of all members of the Council.
3. This agreement shall apply to sales of those lines covered by the suggested resale schedules made to purchasers located in the Province of Quebec and in the Province of Ontario east of a line running north from Kingston and passing through Sharbot Lake.
4. All orders or contracts now or in the future, for the supply of which the Canadian manufacturer grants special conditions to the merchant, shall be recorded in confidence with the Secretary.
5. An Advisory Committee consisting of three representatives shall be elected for the purposes of consultation on matters arising from the operation of this agreement, which Committee shall be empowered to grant permission to any member to deviate from the provisions of this agreement for the purpose of meeting special or extraordinary conditions.
6. All bona fide orders or contracts requiring delivery to be made after February 1st, 1938, which in any particular do not conform to the accepted regulations, trade customs or schedules, shall be recorded with the Secretary, stating items, prices, and the date on which commitment was made.
7. Prior to February 1st, 1938, each member shall file with the Secretary complete lists of seconds, clearance, job and odd lots then on hand, stating the selling prices, copies of which shall be issued to all members. On and after February 1st, 1938, each member shall file with the Secretary details of all additional

seconds, clearance, job or odd lots before such are offered on the market, copies of which shall be issued to all members.

8. The members and each of them covenant and agree with the other members as follows:
 - (a) That they, the covenanters, shall be responsible for the acts, defaults of and breaches of the provisions of this agreement by their respective servants and employees.
 - (b) That they, their servants and employees will not quote, accept or book orders for, offer or agree to sell, or sell the goods covered by this agreement at lower prices or on better terms and conditions than those fixed by the schedules annexed to this agreement or fixed by any schedules which may be adopted by resolution of the Council in substitution for all or any of the said schedules hereunto annexed.
 - (c) That they, their servants or employees shall not, either directly or indirectly, resort or have recourse to any scheme or subterfuge or give any rebates, allowances or reductions in the price of other goods as an inducement or aid or which may operate as an inducement or aid in the making of present or future sales of goods covered by this agreement.
 - (d) That they, their servants or employees shall not loan or advance, or cause to be loaned or advanced, money on any pretext to a customer or a member or employee of a customer's firm.
 - (e) That they will allow the Secretary at all times access to their books of account, papers and correspondence for the purposes outlined in paragraph 10 of this agreement.
 - (f) That they will furnish to the Secretary at the beginning of each month a signed statement from the firm's auditor or, in the event of such not being available, a statement signed by the member in the form as annexed hereto with respect to sections (c) and (d) of paragraph 8 of this agreement.
9. A Secretary shall be appointed to hold office until his successor is appointed. He shall have the right to call a meeting of the Council at any time and shall take the minutes of the meetings of the said Council and shall generally perform all the duties of such Secretary. He shall advise simultaneously by post all members of the Council of any change in the Council prices, terms, and regulations.

10. In addition to the other duties assigned to the Secretary, he or his authorized agent shall conduct an audit and check the book and records of the members for the purpose of ascertaining that the provisions of this agreement have been complied with, and shall investigate any complaint made by a member against another member. He shall not make known to anyone any part of the information which he may have so obtained, except when a member shall be found to have broken or violated the terms, conditions and/or covenants of this agreement, in which event he shall communicate to the members of the Council at a meeting duly called such details and particulars as he may in his discretion consider requisite, necessary or advisable in the circumstances.
11. Assessments shall be made among the members to cover the cost of operations, such assessments to be distributed on the following basis: One-third of the total cost to be assessed on an equal basis among all members; two-thirds of the total cost to be assessed on a time basis.
12. This agreement shall be subject to amendment only by unanimous vote of all the members of the Council, provided due notice of such intended amendment is given to all members at or before the meeting immediately preceding the meeting at which such amendments are to be considered. The schedules with respect to resales, annexed hereto, may be amended by a majority vote of the members of the Council present at any meeting.
13. A quorum for the transaction of business shall comprise representatives from two member firms less than the total number in the membership of the Council.

APPENDIX V

PRAIRIE FINE PAPER COUNCIL ARRANGEMENT

March, 1935

- No. 1.
ORGANIZATION

THAT Fine Paper Merchants located in the three Prairie Provinces form and become members of an organization to be known as "Prairie Fine Paper Council".
- No. 2.
PERIOD OF
ARRANGEMENT

THAT an arrangement be entered into for a period of two years from April 1st, 1935, as hereinafter provided.
- No. 3.
LINES
COVERED

THAT this arrangement shall cover sales made to purchasers and for delivery within the Provinces of Manitoba, Saskatchewan and Alberta, of printing papers and kindred lines, as agreed upon, but excluding envelopes, wrapping supplies, book binders' supplies and stationery lines.
- No. 4.
REGULATIONS
& SCHEDULES

THAT the regulations of the Prairie Section of the Canadian Paper Trade Association respecting sales and the price schedule thereto are hereby incorporated as part and parcel of the arrangements herein set forth.
- No. 5.
ADHERENCE TO
REGULATIONS

THAT, notwithstanding, any arrangement to the contrary or any deviations from this principle that may have taken place, each member agrees to not directly or indirectly make any proposal or bargain, nor do any act that would influence any sale or sales contrary to the accepted regulations, trade customs and schedules.
- No. 6.
SPECIAL OR
EXTRAORDINARY
CONDITIONS

THAT the Secretary-Auditor with the consent of the Advisory Committee, may grant permission to any member to deviate from the provisions herein contained for the purpose of meeting special or extraordinary conditions, information concerning such deviation shall be made available to the entire membership.
- No. 7.
EX-WAREHOUSE
SALES

THAT with respect to ex-warehouse sales each member agrees, on and after April 1st, 1935, to enforce and maintain strictly all regulations, trade customs and schedules applying thereto, already mutually agreed upon or that may later be adopted by mutual agreement, due provision being made for unfilled orders or contracts.
- No. 8.
UNFILLED
ORDERS OR
CONTRACTS

THAT all bona fide orders or contracts requiring delivery to be made after March 31st, 1935, which in any particular do not conform to the accepted regulations, trade customs or schedules, shall be recorded with the Secretary-Auditor, stating items, prices, and the date on which commitment was made. Any such order or contract undertaken since March 1st, 1935, shall be considered to constitute a breach of ethics

No. 9.
MILL SHIPMENT
SALES

THAT with respect to direct mill shipment sales each member agrees, on and after April 1st, 1935, to enforce strictly all regulations, trade customs, and schedules as now in force or as amended from time to time by the Canadian Mills, due provision being made for unfulfilled orders or contracts.

No. 10.
SPECIAL CON-
DITIONS ON
MILL SHIPMENT
SALES

THAT all orders or contracts, now or in the future, for the supply of which the Canadian manufacturer grants special conditions to meet foreign competition and retain the business for the domestic producer, but on which the merchant receives the regular rate of mark-up or commission shall be recorded in confidence with the Secretary.

No. 11.
DEVIATIONS ON
MILL SHIPMENT
SALES

THAT deviation from the regulations, trade customs, and schedules applying to mill shipment sales, other than as hereinbefore provided, shall not be made without the consent of the members first having been given, and particulars of such deviation shall be recorded by the Secretary-Auditor and made available by him in writing to the entire membership.

No. 12.
RESPONSIBILITY

THAT in respect of this arrangement, each member accepts full responsibility for the acts of his employees, agents, and representatives.

No. 13.
JOB LOTS

THAT prior to March 15th, 1935, each member shall file with the Secretary-Auditor complete lists of job and odd lots then on hand, stating the selling prices, copies of which shall be issued to the membership. On and after April 1st, 1935, each member shall file with the Secretary-Auditor details in seven copies of all additional job or odd lots before such are offered on the market, copies of which shall be issued to the membership.

No. 14.
ADVISORY
COMMITTEE

THAT a Committee of three members shall be elected to act in advisory capacity to the Secretary-Auditor on conditions arising from the operation of this arrangement, and, if deemed expedient, to confer with a member or members said to be involved in such conditions.

No. 15.
SECRETARY-
AUDITOR

THAT Walter J. Macdonald be appointed Secretary-Auditor at a fee of \$50.00 per month for six months, such fee to be payable monthly for the period of the arrangement. He shall provide satisfactory facilities for the purpose of conducting a systematic audit of the sales records of the members in those lines covered by this arrangement. He shall have complete control of the audit system. He shall be authorized to report direct to meeting of this Council particulars of infractions disclosed by the audit. He shall be given authority to interview any member at any time respecting irregular practices in which such member may be said to be involved.

No. 16.
AUDIT

THAT the Secretary-Auditor, upon written complaint of a member shall make examination of the sales records of such member complained of as he may consider necessary, to a proper report to the Council. The name of the member complaining shall be available to the member complained of.

No. 17.
CONSENT OF
MEMBERS

THAT each member agrees he will not unduly withhold consent to requests made by the Secretary-Auditor to proceed with examination of accounts. To facilitate the audit, each member shall advise the Secretary-Auditor in writing, the names of two representatives of his firm, any one of whom is empowered to give such consent.

No. 18.
INFORMATION
TREATED IN
CONFIDENCE

THAT in conducting the audit, the Secretary-Auditor or his representatives in other cities, shall respect the confidence of the members, and that no information which may come to their notice with respect to the business carried on by any of the members will be divulged to any other person whatsoever, except as hereinbefore mentioned.

No. 19.
MONEYS HELD
IN DEPOSIT

THAT each member deposit on or before April 1st, 1935, the amount designated by the Advisory Committee as follows:

Barber-Ellis Limited	\$200.00
Clark Bros. & Co. Ltd.	200.00
Mid-West Paper Sales Ltd.	200.00
Barkwell Paper Company	100.00
Phillips Paper Company	100.00
Kilgour's Limited	100.00
W. J. Gage & Co. Ltd.	100.00

No. 20.
MONEYS HELD
IN TRUST

THAT all moneys paid in shall be held in trust by the Secretary-Auditor for the company making such payment and shall be returnable to them at the expiration of the arrangement, subject, however, to any assessment of operating expenses that may have been issued and remain unpaid.

No. 21.
BONDING OF
SECRETARY

THAT the Secretary-Auditor furnish a fidelity bond in an amount at least equal to the amount of the moneys herein referred to on deposit with him, which bond shall be in favour of the Chairman of the Advisory Committee, referred to in paragraph No. 14.

No. 22.
DEDUCTION OF
UNPAID
ASSESSMENTS

THAT in the event assessments for operating expenses are not paid within a period of sixty days, the Secretary shall have the right to deduct the amount from the Company's deposit.

No. 23.
WITHDRAWALS

THAT should a member withdraw from the Council before the expiration of the period provided for in this arrangement, and continue to carry on in his usual business, any funds deposited by him and held in trust by the Council shall be forfeited by him and held for such disposition as the Council deem desirable, except as stated hereunder:-

THAT this arrangement shall be subject to review on the first Tuesday in October, 1935, at which time any member may withdraw without notice and shall receive his deposit in full. Should no motion of withdrawal be made by any member by the first Tuesday in October, 1935, the arrangement shall be continued until the expiration date provided for in paragraph No. 2, and no member shall have the right to withdraw therefrom except as hereinbefore provided.

No. 24.
ASSESSMENTS

THAT a quarterly assessment shall be made on the members to cover the Secretary-Auditor's fee and expense, in the same proportion as the deposit made by each member bears to the total.

APPENDIX VI

PAPER DISTRIBUTORS COUNCIL OF B. C.

Rules and Regulations
(as amended to February 5, 1935)

ORGANIZATION.

That, for their mutual benefit and the general good of the industry, Paper distributors and Envelope manufacturers located in the Province of British Columbia form and become members of an organization to be known as "PAPER DISTRIBUTORS COUNCIL OF B. C."

PERIOD OF ARRANGEMENT.

That an arrangement be entered into for a period of one year from January 1st, 1935.

EXECUTIVE SECRETARY.

That an Executive Secretary be appointed, whose duties will be under direction of an Advisory Committee, composed of the Chairman and the Vice-Chairman, to manage the Council and generally carry out instructions as herein-after set forth.

DUTIES OF EXECUTIVE SECRETARY.

To take charge of all Council meetings and arrange for minutes of same to be kept. On instructions, to issue all price lists and terms of sale. All irregularities coming to notice of members will be reported to the Secretary who will investigate same and, if necessary, conduct a systematic audit of the sales records of the member complained of. He shall have authority to interview any member at any time respecting irregular practices in which such member may be said to be involved, as provided for in "Adherence to Regulations".

AUDIT.

The Secretary shall be empowered to make a systematic examination of the sales records of each member in the lines covered by the arrangement, for which purpose he shall be granted access to sales invoices, orders (house record and customer's), and delivery slips. In addition, upon submitting the names of accounts to be examined to a responsible representative of the member-firm for consent, he shall be granted access to whatever other books of record and documentary evidence he may consider necessary to a proper investigation. He shall be authorized to make enquiry with respect to apparent errors or irregularities in completing an investigation.

CONSENT OF MEMBERS.

That each member agrees he will not unduly withhold consent to requests made by the Secretary to proceed with examination of accounts. To facilitate the audit each member shall advise the Secretary, in writing, the names of two representatives of his firm who are empowered to give such consent.

INFORMATION
TREATED
CONFIDENTIALLY.

That, in conducting the audit, the Secretary shall respect the confidence of the members, and that no information which may come to his notice with respect to the business carried on by any of the members will be divulged to any other person whatsoever, except as hereinbefore mentioned. The Secretary shall not divulge the name of the complainant.

RESPONSIBILITY.

That members will give to the Secretary in writing, names of their Executive or staff empowered to attend meetings, vote, and in general act for the member firm. That, in respect of this arrangement, each member accepts full responsibility for the acts of his employees, agents and representatives. In the matter of voting, each member firm shall be entitled to one vote only.

ASSESSMENT.

That a monthly assessment, payable in advance, shall be made on the members to cover expenses of conducting the Council, including Secretary's remuneration, etc. This assessment to be set by the Advisory Committee.

RULES AND
REGULATIONS.

That definite rules and regulations to govern the actions of the members of the Fine Paper Section, the Coarse Paper Section, and the Envelope Section be prepared, very carefully considered and discussed, approved, and finally adopted so that every member will be familiar with what he has to do and the Executive Secretary will have specific regulations which he will be expected to see that every member observes.

That members of all sections, selling goods regulated by another section, must strictly observe the rules and regulations and the resale prices of the section interested.

That, notwithstanding any arrangement to the contrary or any deviations from this principle that may have taken place, each member agrees to not directly or indirectly make any proposal or bargain nor do any act that would influence any sale or sales contrary to the accepted regulations, trade customs and schedules.

Members must definitely agree to abide by established prices and terms of sale and, in the event of any member having a reasonable doubt of any other member not conforming to same, he will place the facts before the Secretary in writing.

The Secretary will communicate with the alleged offending member and make the necessary investigation to establish the facts. The result of the investigation will be given

ADHERENCE TO
REGULATIONS.
(continued)

to the member who made the complaint and, in the event of the member who made the enquiry not being satisfied with the explanation, then the whole matter will come before a meeting of the members of the section affected, of which due notice shall have been given all members.

LINES
COVERED.

That this arrangement shall cover sales made to purchasers and for delivery within the Province of British Columbia of all lines of paper and paper products, commonly handled by Fine Paper and Coarse Paper Merchants, and Envelope Manufacturers. The Council will be composed of three sections - one covering Fine or Printing Papers, another the Coarse or Wrapping Papers, and the third Envelopes, and each section will appoint its own committee for the purpose of making its own arrangements within the Council.

JOB LOTS OR
CLEARANCE
LINES.

Each member shall file with the Secretary details of all job or odd lots before such are offered on the market, copies of which shall be issued to the membership, and disposal of same shall only be made by consent of the section interested.

SPECIAL
ARRANGEMENTS.

That, if for any reason the members find it necessary to make any deviation from the established prices and terms of sale, this must be arranged and agreed on by a majority of members of the section interested and the decision placed on record by the Secretary and sent to all members in the form of a report so that both the members and the Secretary will have a definite understanding of the arrangement.

NEW LINES.

No new lines to be put on market until approved by the section interested.

FINE PAPER
SECTION.

That the regulations of the Central Section of the Canadian Paper Trade Association respecting sales and the price schedule thereto are hereby incorporated as part and parcel of the arrangements herein set forth.

CREDIT
BUREAU.

That, as soon as possible after organization is completed, a Credit Bureau be created, under direction of the Secretary, to work in collaboration with the Credit Managers of the member firms.

REVIEW.

Any of the foregoing arrangements are subject to review, on reasonable notice from any member but, in any case, a general review shall be made during the first week of July, 1935.

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